

**City School District of Mount Vernon, New York**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2017



## City School District of Mount Vernon, New York

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## **Independent Auditors' Report**

**The Board of Education of the  
City School District of Mount Vernon, New York**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City School District of Mount Vernon, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017 and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**PKF O'CONNOR DAVIES, LLP**

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated September 29, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*  
**PKF O'Connor Davies, LLP**  
Harrison, New York  
October 4, 2017

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# **City School District of Mount Vernon, New York**

## **Management's Discussion and Analysis (MD&A) June 30, 2017**

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### **Introduction**

Our discussion and analysis of the City School District of Mount Vernon, New York's ("School District") financial performance provides an overview of the School District's financial activities for the year that ended June 30, 2017. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- For the fiscal year that ended June 30, 2017, the School District's governmental fund financial statements report a combined ending fund balance of \$20,310,074, a decrease of \$50,291,362 from the 2016 fiscal year, which had a combined ending balance of \$70,601,436. This was driven by capital expenditures primarily related to the Energy Performance Contract ("EPC") project (\$31.4 million) and to the startup costs associated with the \$108.4 million District-Wide Infrastructure project (\$10.1 million). Monies had been borrowed in the prior year for the EPC project (\$44.9 million). Only temporary financing for the District-Wide Infrastructure project in the form of bond anticipation notes (\$14 million) had been issued as of June 30, 2017. Bond anticipation notes are not recognized as a revenue source until redeemed from the issuance of permanent financing (i.e. serial bonds). Exclusive of the Capital Projects Fund, the School District's combined ending fund balances are \$34,690,058, a decrease of \$3,861,044 from the 2016 fiscal year.
- The School District has obtained voter approval for the last six proposed budgets. The School District had operated the General Fund under a contingent budget in fiscal years 2010-11 and 2011-12. The key factor seems to be a property tax increase below the increase allowed by the property tax levy limit (cap).
- As of the close of the current fiscal year, the School District reported a General Fund unassigned fund balance of \$11,229,031. The overall fund balance of the General Fund decreased by \$3,667,044, with a decrease in the unassigned portion of the fund balance of \$342,082, a decrease in the restricted fund balance of \$4,878,052 partially offset by an increase in assigned fund balance of \$1,553,090. The amount restricted for debt service was decreased by \$2,971,703 to help offset future increases in debt service obligations expected to be associated with the voter approved district-wide infrastructure capital improvements project. The amounts assigned for purchases on order (i.e encumbrances) decreased by \$2,202,806 from the prior year for non-bonded district-wide repairs completed in the current year while amounts assigned for balancing the subsequent year's budget increased by \$3,755,896 (primarily from the use of the just mentioned debt service funds).
- New York State Law limits the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained by the General Fund to 4% of the ensuing year's budget. At the end of the current fiscal year, the School District reported this type of fund balance at \$11,229,031, or 4.56%, of the adopted 2017-18 budget, an amount currently in excess of the allowable limit. The School District anticipates large tax certiorari claims next year, as well as an increase in future debt service for some new planned and approved bonds. The Administration seeks to request Board approval to restrict these excess amounts for these above mentioned purposes during the 2017-18 fiscal year.

- The School District issued no new long-term indebtedness during the current fiscal year. The School District retired \$8,240,000 in outstanding bonded indebtedness. The School District retired \$1,540,000 in short term bonded indebtedness in the form of bond anticipation notes during the current fiscal year while issuing \$14,000,000 in new bond anticipation notes to finance the start of the District-Wide Infrastructure capital project.
- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$63,430,569. The School District's total net position decreased by \$3,545,173 for the year ended June 30, 2017. The district-wide financial statements must report certain items in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"). The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. One of the most significant of these standards requires the School District to recognize the financial impact associated with other postemployment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 established standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2017, the School District's OPEB obligations of \$68,102,231 are reflected as a liability on the district-wide Statement of Net Position and impacts the total net position calculation. More detailed information about the School District's OPEB obligations reported in accordance with the provisions of GASB Statement No. 45 is presented in note 3, F in the notes to financial statements.
- The district-wide financial statements for the year ended June 30, 2017 are also significantly impacted by the provisions of GASB Statement No. 68. This pronouncement established accounting and financial reporting requirements associated with the School District's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS"). Under these standards, cost-sharing employers are required to report in their district-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At June 30, 2017, the School District reported in its Statement of Net Position a liability of \$5,374,626 for its proportionate share of the ERS net pension liability and \$6,506,499 for its proportionate share of the TRS net pension liability. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3, F in the notes to financial statements.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains combining and individual fund financial statements and schedules in addition to the basic financial statements.

#### *District-Wide Financial Statements*

- The *district-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
- The *statement of net position* presents information on all of the School District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

- The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, other, interest and general support.

The district-wide financial statements can be found on the pages immediately following this section as the first three pages of the basic financial statements.

#### *Fund Financial Statements*

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The School District maintains five individual governmental funds; General Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Special Aid and Capital Projects funds, which are considered to be major funds. Data for the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.
- The School District adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for these major funds within the basic financial statements to demonstrate compliance with the respective budgets.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statements because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

#### *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

### Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the required supplementary information for the School District's other postemployment and pension benefit obligations, the combining statements for the non-major governmental funds and schedules of budget to actual comparisons.

### District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. At the close of the 2016-17 fiscal year, the School District's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63,430,569, which is a decrease of \$3,545,173 from the net position on June 30, 2016.

#### Net Position

	June 30,	
	2017	2016
Current Assets	\$ 76,418,672	\$ 114,374,801
Net Pension Asset	-	62,976,396
Capital Assets, net	181,307,935	136,260,608
Total Assets	257,726,607	313,611,805
Deferred Outflows of Resources	69,620,586	23,186,950
Current Liabilities	50,234,313	37,360,081
Long-Term Liabilities	210,683,136	209,801,523
Total Liabilities	260,917,449	247,161,604
Deferred Inflows of Resources	2,999,175	22,661,409
Net Position		
Net Investment in Capital Assets	44,081,273	34,596,258
Restricted for		
Capital Projects	1,826,668	5,293,539
Unemployment Benefits	74,357	98,814
Debt Service	5,977,503	8,949,206
Workers' Compensation Benefits	317,145	782,839
School Lunch	1,611,103	1,800,759
Special Purposes	63,132	67,476
Tax Certiorari	5,629,534	5,819,241
Retirement system contributions	2,024,175	2,759,000
Unrestricted	1,825,679	6,808,610
Total Net Position	\$ 63,430,569	\$ 66,975,742

The largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and, consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions listed above constitute \$17,523,617 of net position and are comprised of amounts set aside for specific purposes, i.e. payments of tax certiorari obligations, retirement system contributions, debt service, capital projects, etc. The remaining balance represents an unrestricted balance of \$1,825,679.

### Changes in Net Position

	June 30,	
	2017	2016
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 1,876,251	\$ 1,720,054
Operating Grants and Contributions	19,192,294	19,887,602
Capital Grants and Contributions	50,945	3,420,534
Total Program Revenues	21,119,490	25,028,190
General Revenues		
Real Property Taxes	115,134,190	114,539,462
Other Tax Items	21,810,273	21,446,823
Non-Property Taxes - Utility gross receipts tax	2,453,795	2,455,652
Unrestricted Use of Money and Property	418,574	52,347
Insurance Recoveries	218,470	238,070
Unrestricted State Aid	91,675,538	86,192,780
Miscellaneous	3,681,334	927,305
Total General Revenues	235,392,174	225,852,439
Total Revenues	256,511,664	250,880,629
<b>PROGRAM EXPENSES</b>		
General Support	39,994,085	36,645,026
Instruction	202,683,371	178,041,477
Pupil Transportation	8,463,322	7,595,947
Cost of Food Sales	4,506,031	4,436,609
Other	4,600	9,676
Interest	4,405,428	3,024,821
Total Expenses	260,056,837	229,753,556
Change in Net Position	(3,545,173)	21,127,073
<b>NET POSITION</b>		
Beginning	66,975,742	45,848,669
Ending	\$ 63,430,569	\$ 66,975,742

Governmental activities decreased the School District's net position by \$3,545,173 during the 2016-17 fiscal year. Noteworthy is the impact of the requirements of GASB Statement No. 45 that requires recognition of OPEB expenses and the provisions of GASB Statement No. 68 that require the recognition of pension expenses.

Other major changes are as follows:

Revenues:

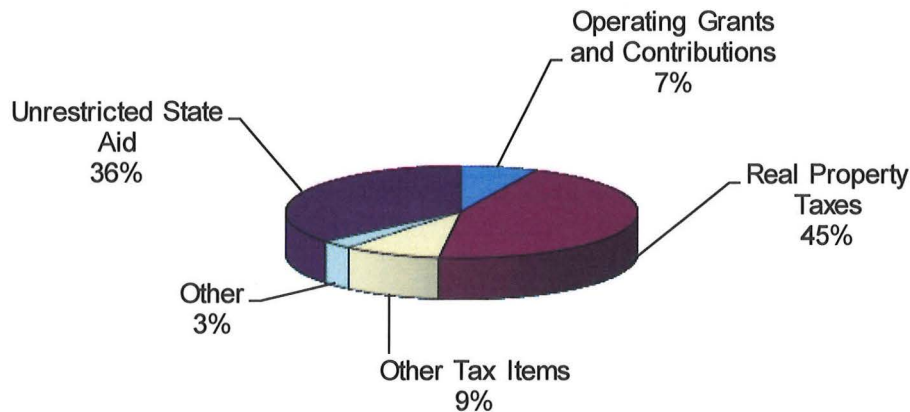
- Real property tax revenues increased by \$594,728 (0.52%). This was the result of several factors. The overall tax levy was not increased in the 2016-17 fiscal year. However, in 2016-17, there was a shift in the total tax levy burden borne by New York State through the STAR program. The STAR program share decreased by \$357,362 (1.84%) resulting in an increased local share of the real property tax levy. In addition, improved collections of prior year taxes were recognized in the 2016-17 fiscal year, augmenting revenues by approximately \$394,000 which did not happen in 2015-16.
- Unrestricted State aid increased by \$5,482,758 (6.36%) from an increase in basic aid and excess cost aid. These increases are mainly attributable to the elimination of the "Gap Elimination Adjustment" coupled with other increases in state aid as part of the adopted New York State budget.
- Capital Grants and Contributions decreased by \$3,369,589. In the prior year, funds became available to the School District from the Dormitory Authority of the State of New York for the EXCEL funded projects. There is approximately \$3.1 million remaining to be collected for this project and these funds are expected to be received during the 2017-18 fiscal year.
- Miscellaneous revenues increased by \$2,754,029 primarily as a result of the writeoff of amounts thought to be owed to New York State but that dated back over ten years.

Expenses:

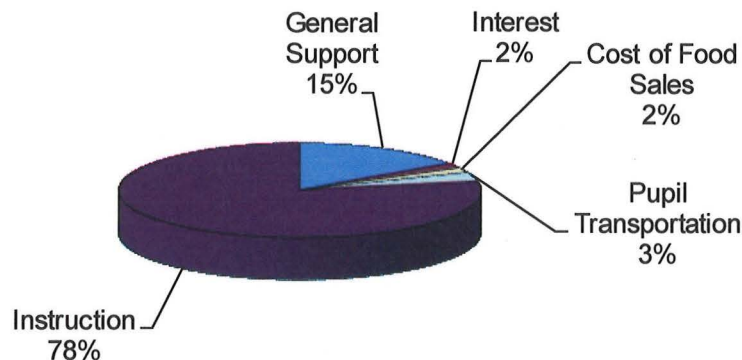
- General support expenses increased by \$3,349,059 (9.14%). While tax certiorari claims decreased by approximately \$1 million, the School District incurred additional expenses for sidewalk/stairwell and electrical repairs on a district-wide basis.
- Instruction expenses increased by \$24,641,894 (13.84%) as a result of salary increases and fringe benefits due to contractual labor settlements, various new administrative and coordinator positions, additional teaching positions and increased costs from BOCES related to the School District's long-range planning studies.
- Transportation expenses increased by \$867,375 as a result of additional costs associated with the transportation of increased number of homeless students under the McKinney Vento Act and special education placements.
- Interest expenses increased by \$1,380,607 as a result of new indebtedness related to the energy performance contract and the initial borrowings associated with the School District's \$108.4 million District-Wide Infrastructure capital project.

As indicated on the following graphs, the School District relies upon real property taxes and other tax items (54%) and unrestricted State aid (36%) as its primary revenue sources. Instruction accounts for the largest portion, 78%, of expenses.

**Sources of Revenue for Fiscal Year 2017  
Governmental Activities**



**Expenses for Fiscal Year 2017  
Governmental Activities**



**Financial Analysis of the School District's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Fund Balance Reporting*

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements for periods ending June 30, 2011. GASB Statement No. 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

#### *Governmental Funds*

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the School District's governmental funds reported a combined fund balance of \$20,310,074, a decrease in fund balances of \$50,291,362 from the prior year's combined fund balance of \$70,601,436. Exclusive of the Capital Projects Fund, the combined ending fund balances are \$34,690,058, with an unassigned portion of \$11,229,031 that can be spent by the School District for any lawful purpose.

The remainder of the fund balance is non-spendable, restricted or assigned to indicate that it is not available for new spending because it has already been obligated. The amounts restricted (totaling \$15,109,468) include: tax certiorari of \$5,629,534; employee benefit accrued liability of \$1,023,622; retirement system contributions of \$2,024,175; unemployment benefits of \$74,357; debt service of \$5,977,503; workers' compensation benefits of \$317,145; and special purposes of \$63,132. The amounts assigned (totaling \$8,335,255) include: purchases on order (i.e. encumbrances) of \$408,006; amounts for school lunch fund purposes of \$1,594,799; and amounts assigned for the subsequent year's budget to provide property tax relief of \$6,332,450.



## General Fund Budgetary Highlights

The General Fund is the primary operating fund of the School District. The original voter approved adopted budget of \$238,749,835 was first increased by \$2,610,812 to fund prior year encumbrances bringing the original budget to \$241,360,647. From there, the appropriation budget was modified by a total of \$4,302,569 to a total final budget of \$245,663,216. These changes included an appropriation of the fund balance of \$1,916,857 for the payment of tax certiorari obligations appropriated from the tax certiorari restriction, and an appropriation due to emergency capital projects for \$2,385,712.

The revenues and other financing sources were greater than the revised estimate by \$4,149,952, or 1.76%. The excess of revenues was substantially due to 1) improved property tax collections of \$695,460, 2) better than expected payments in lieu of taxes of \$747,910, 3) charges to other districts of \$521,385 and 4) the write-off of \$1,848,880 of amounts thought to be due back to New York State but determined not to be and 5) the transfer in of closed capital projects of \$633,549 that was not anticipated in the budget. These positive results were partially offset by a shortfall in anticipated state aid of \$1,113,037. Expenditures and other financing uses were less than the final budget by \$1,580,795, or 0.64%. A significant portion of this positive variance to budget resulted from savings in central services of \$410,585 and teaching – regular school of \$430,164.

## Capital Assets

At June 30, 2017, the School District had capital assets of \$181,307,935 net of accumulated depreciation invested in a broad range of capital assets, including land, improvements other than buildings, buildings and improvements, machinery and equipment, and construction-in-progress. The change in capital assets, net of accumulated depreciation, is reflected below.

Class	June 30,	
	2017	2016
Land	\$ 1,120,080	\$ 1,120,080
Improvements Other than Buildings	568,520	608,061
Buildings and Improvements	157,136,949	116,209,544
Machinery and Equipment	1,490,477	799,967
Construction-in-Progress	20,991,909	17,522,956
Total Capital Assets, net of Accumulated depreciation	<u>\$ 181,307,935</u>	<u>\$ 136,260,608</u>

The increase in capital assets can be primarily attributable to the completion of the School District's energy performance enhancement project and to the start of the District-Wide Infrastructure project. More detailed information about the School District's capital assets is presented in Note 3,C in the notes to financial statements.

## Long-Term Debt

The School District had general obligation and other long-term debt outstanding as follows:

	June 30,	
	2017	2016
Bonds Payable	\$ 83,521,843	\$ 92,067,761
Energy Performance Contract		
Debt Payable	44,940,988	44,940,988
Compensated Absences	2,236,949	2,317,850
Net Pension Liability	11,881,125	8,511,507
Other Post Employment Benefit		
Obligations Payable	68,102,231	61,963,417
Total	<u>\$ 210,683,136</u>	<u>\$ 209,801,523</u>

The School District, during the 2016-2017 fiscal year, amortized principal by \$6,839,166 for capital construction bonds and by \$1,400,834 for tax certiorari judgment bonds. No principal payments were required on the energy performance contract debt during the 2016-2017 fiscal year. The School District issued no new long term bonded indebtedness in the current year.

The School District also issued and renewed \$3,060,000 in short-term bond anticipation notes to finance the ongoing construction for EXCEL aided capital projects. The School District also issued \$14,000,000 in short-term bond anticipation notes to provide the initial funding for the District-Wide Infrastructure capital projects.

The School District's obligations payable for post employment benefits increased by \$6,138,814 to \$68,102,231. This liability is expected to continue to increase to reflect the full value of this obligation over the next several years. As presented in the 2016-17 valuation, the School District's actuarial accrued liability is \$165,381,902 and this amount is not funded.

More detailed information about the School District's long-term liabilities is presented in Note 3, F in the notes to financial statements.

## Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City School District of Mount Vernon  
Attn: Kenneth Silver  
Assistant Superintendent for Business  
165 North Columbus Avenue  
Mount Vernon, New York 10553

**City School District of Mount Vernon, New York**

Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 55,030,238
Restricted cash	120,660
Receivables	
Taxes	8,174,688
Accounts, net	3,798
State and Federal aid	9,425,505
Due from other governments	3,647,479
Inventories	16,304
Capital assets	
Not being depreciated	22,111,989
Being depreciated, net	159,195,946
Total Assets	<u>257,726,607</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>69,620,586</u>
<b>LIABILITIES</b>	
Accounts payable	10,125,243
Accrued liabilities	5,884,910
Due to other governments	144
Due to retirement systems	13,734,535
Overpayments	1,837,689
Unearned revenues	151,064
Bond anticipation notes payable	17,060,000
Accrued interest payable	1,440,728
Non-current liabilities	
Due within one year	11,394,831
Due in more than one year	199,288,305
Total Liabilities	<u>260,917,449</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,999,175</u>
<b>NET POSITION</b>	
Net investment in capital assets	44,081,273
Restricted	
Capital projects	1,826,668
Unemployment benefits	74,357
Debt service	5,977,503
Workers' compensation benefits	317,145
School lunch	1,611,103
Special purposes	63,132
Tax certiorari	5,629,534
Retirement system contributions	2,024,175
Unrestricted	1,825,679
Total Net Position	<u>\$ 63,430,569</u>

The notes to financial statements are an integral part of this statement.

City School District of Mount Vernon, New York

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General support	\$ 39,994,085	\$ 7,795	\$ 71,364	\$ -
Instruction	202,683,371	1,498,685	15,076,013	-
Pupil transportation	8,463,322	-	-	-
Cost of food sales	4,506,031	369,771	4,044,661	-
Other	4,600	-	256	-
Interest	4,405,428	-	-	50,945
Total Governmental Activities	<u>\$ 260,056,837</u>	<u>\$ 1,876,251</u>	<u>\$ 19,192,294</u>	<u>\$ 50,945</u>
General revenues				
Real property taxes				
Other tax items				
School tax relief program				
Interest and penalties on real property taxes				
Payments in lieu of taxes				
Non-property taxes				
Utility gross receipts tax				
Unrestricted use of money and property				
Insurance recoveries				
Unrestricted State aid				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

The notes to financial statements are an integral part of this statement.

<hr/> Net (Expense) Revenue and Changes in Net Position	
\$	(39,914,926)
	(186,108,673)
	(8,463,322)
	(91,599)
	(4,344)
	<u>(4,354,483)</u>
	 (238,937,347)
	  115,134,190
	 19,018,220
	1,294,143
	1,497,910
	 2,453,795
	418,574
	218,470
	91,675,538
	<u>3,681,334</u>
	 <u>235,392,174</u>
	 (3,545,173)
	 <u>66,975,742</u>
\$	<u><u>63,430,569</u></u>

**City School District of Mount Vernon, New York**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Special Aid	Capital Projects
<b>ASSETS</b>			
Cash and equivalents	\$ 47,772,066	\$ 1,042,997	\$ 4,740,420
Restricted cash	-	-	120,660
Receivables			
Taxes	8,174,688	-	-
Accounts, net of allowance for uncollectible amounts	3,798	-	-
State and Federal aid	4,672,382	4,483,104	-
Due from other governments	3,647,479	-	-
Due from other funds	6,056,461	-	-
Inventories	-	-	-
Total Assets	<u>\$ 70,326,874</u>	<u>\$ 5,526,101</u>	<u>\$ 4,861,080</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 8,538,904	\$ 116,942	\$ 1,453,220
Accrued liabilities	5,884,910	-	-
Due to other funds	-	5,258,095	727,844
Due to other governments	-	-	-
Due to retirement systems	13,734,535	-	-
Overpayments	1,837,689	-	-
Unearned revenues	-	151,064	-
Bond anticipation notes payable	-	-	17,060,000
Total Liabilities	29,996,038	5,526,101	19,241,064
Deferred inflows of resources			
Deferred tax revenues	<u>7,315,013</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>37,311,051</u>	<u>5,526,101</u>	<u>19,241,064</u>
Fund balances			
Nonspendable	-	-	-
Restricted	15,046,336	-	-
Assigned	6,740,456	-	-
Unassigned	<u>11,229,031</u>	<u>-</u>	<u>(14,379,984)</u>
Total Fund Balances	<u>33,015,823</u>	<u>-</u>	<u>(14,379,984)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 70,326,874</u>	<u>\$ 5,526,101</u>	<u>\$ 4,861,080</u>

The notes to financial statements are an integral part of this statement.

Non-Major Governmental	Total Governmental Funds
\$ 1,474,755	\$ 55,030,238
-	120,660
-	8,174,688
-	3,798
270,019	9,425,505
-	3,647,479
-	6,056,461
16,304	16,304
<u>\$ 1,761,078</u>	<u>\$ 82,475,133</u>

\$ 16,177	\$ 10,125,243
-	5,884,910
70,522	6,056,461
144	144
-	13,734,535
-	1,837,689
-	151,064
-	17,060,000
86,843	54,850,046
-	7,315,013

<u>86,843</u>	<u>62,165,059</u>
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16,304	16,304
63,132	15,109,468
1,594,799	8,335,255
-	(3,150,953)
<u>1,674,235</u>	<u>20,310,074</u>

<u>\$ 1,761,078</u>	<u>\$ 82,475,133</u>
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**City School District of Mount Vernon, New York**

Reconciliation of Governmental Funds Balance Sheet to  
the District-Wide Statement of Net Position  
June 30, 2017

Fund Balances - Total Governmental Funds	<u>\$ 20,310,074</u>
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>181,307,935</u>
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	1,731,140
Deferred amounts on net pension liabilities	<u>64,890,271</u>
	<u>66,621,411</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>7,315,013</u>
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(1,440,728)
Bonds payable	(83,521,843)
Energy performance contract debt	(44,940,988)
Compensated absences	(2,236,949)
Net pension liability	(11,881,125)
Other post employment benefit obligations payable	<u>(68,102,231)</u>
	<u>(212,123,864)</u>
Net Position of Governmental Activities	<u><u>\$ 63,430,569</u></u>

The notes to financial statements are an integral part of this statement.

**City School District of Mount Vernon, New York**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	General	Special Aid	Capital Projects
<b>REVENUES</b>			
Real property taxes	\$ 115,550,083	\$ -	\$ -
Other tax items	21,810,273	-	-
Non-property taxes	2,453,795	-	-
Charges for services	1,498,685	-	-
Use of money and property	548,678	-	-
Interfund revenues	212,258	-	-
Food sales	-	-	-
State aid	93,378,066	3,428,213	-
Federal aid	22,180	9,395,256	-
Miscellaneous	3,681,334	527,836	-
Total Revenues	239,155,352	13,351,305	-
<b>EXPENDITURES</b>			
Current			
General support	32,809,746	-	-
Instruction	134,394,052	15,569,544	-
Pupil transportation	8,374,805	-	-
Employee benefits	48,701,022	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	8,240,000	-	-
Interest	4,455,839	-	-
Capital outlay	-	-	50,277,481
Total Expenditures	236,975,464	15,569,544	50,277,481
Excess (Deficiency) of Revenues Over Expenditures	2,179,888	(2,218,239)	(50,277,481)
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	218,470	-	-
Transfers in	633,549	2,218,239	4,480,712
Transfers out	(6,698,951)	-	(633,549)
Total Other Financing Sources	(5,846,932)	2,218,239	3,847,163
Net Change in Fund Balances	(3,667,044)	-	(46,430,318)
<b>FUND BALANCES (DEFICITS)</b>			
Beginning of Year	36,682,867	-	32,050,334
End of Year	\$ 33,015,823	\$ -	\$ (14,379,984)

The notes to financial statements are an integral part of this statement.

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 115,550,083
-	21,810,273
-	2,453,795
-	1,498,685
1,025	549,703
-	212,258
369,771	369,771
147,106	96,953,385
3,896,786	13,314,222
-	4,209,170
<u>4,414,688</u>	<u>256,921,345</u>
-	32,809,746
-	149,963,596
-	8,374,805
-	48,701,022
4,604,088	4,604,088
4,600	4,600
-	8,240,000
-	4,455,839
-	50,277,481
<u>4,608,688</u>	<u>307,431,177</u>
<u>(194,000)</u>	<u>(50,509,832)</u>
-	218,470
-	7,332,500
-	(7,332,500)
<u>-</u>	<u>218,470</u>
(194,000)	(50,291,362)
<u>1,868,235</u>	<u>70,601,436</u>
<u>\$ 1,674,235</u>	<u>\$ 20,310,074</u>

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**City School District of Mount Vernon, New York**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017

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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ (50,291,362)
--	-----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	50,540,612
Depreciation expense	<u>(5,493,285)</u>
	<u>45,047,327</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Real property taxes	<u>(415,893)</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	8,240,000
Amortization of premium and loss on refunding bonds	<u>173,517</u>
	<u>8,413,517</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	80,901
Pension assets (liabilities)	(117,743)
Accrued interest	(123,106)
Other post employment benefit obligations	<u>(6,138,814)</u>
	<u>(6,298,762)</u>

Change in Net Position of Governmental Activities	<u>\$ (3,545,173)</u>
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The notes to financial statements are an integral part of this statement.

**City School District of Mount Vernon, New York**

Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
General and Special Aid Funds  
Year Ended June 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 115,170,485	\$ 114,854,623	\$ 115,550,083	\$ 695,460
Other tax items	21,018,220	21,018,220	21,810,273	792,053
Non-property taxes	2,325,000	2,325,000	2,453,795	128,795
Charges for services	977,300	977,300	1,498,685	521,385
Use of money and property	225,000	225,000	548,678	323,678
Interfund revenues	155,000	155,000	212,258	57,258
State aid	94,491,103	94,491,103	93,378,066	(1,113,037)
Federal aid	-	-	22,180	22,180
Miscellaneous	1,686,173	1,686,173	3,681,334	1,995,161
Total Revenues	236,048,281	235,732,419	239,155,352	3,422,933
<b>EXPENDITURES</b>				
Current				
General support	28,754,808	33,758,734	32,809,746	948,988
Instruction	142,123,616	135,370,336	134,394,052	976,284
Pupil transportation	7,841,759	8,409,129	8,374,805	34,324
Employee benefits	45,385,714	48,730,226	48,701,022	29,204
Debt service				
Principal	8,240,000	8,240,000	8,240,000	-
Interest	4,566,511	4,455,840	4,455,839	1
Total Expenditures	236,912,408	238,964,265	236,975,464	1,988,801
Excess (Deficiency) of Revenues Over Expenditures	(864,127)	(3,231,846)	2,179,888	5,411,734
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	125,000	125,000	218,470	93,470
Transfers in	-	-	633,549	633,549
Transfers out	(4,448,239)	(6,698,951)	(6,698,951)	-
Total Other Financing Sources (Uses)	(4,323,239)	(6,573,951)	(5,846,932)	727,019
Net Change in Fund Balances	(5,187,366)	(9,805,797)	(3,667,044)	6,138,753
<b>FUND BALANCES</b>				
Beginning of Year	5,187,366	9,805,797	36,682,867	26,877,070
End of Year	\$ -	\$ -	\$ 33,015,823	\$ 33,015,823

The notes to financial statements are an integral part of this statement.

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,726,858	6,616,690	3,428,213	(3,188,477)
12,799,453	13,758,326	9,395,256	(4,363,070)
1,286,227	1,308,297	527,836	(780,461)
<u>20,812,538</u>	<u>21,683,313</u>	<u>13,351,305</u>	<u>(8,332,008)</u>
-	-	-	-
23,030,777	23,901,552	15,569,544	8,332,008
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>23,030,777</u>	<u>23,901,552</u>	<u>15,569,544</u>	<u>8,332,008</u>
<u>(2,218,239)</u>	<u>(2,218,239)</u>	<u>(2,218,239)</u>	<u>-</u>
-	-	-	-
2,218,239	2,218,239	2,218,239	-
-	-	-	-
<u>2,218,239</u>	<u>2,218,239</u>	<u>2,218,239</u>	<u>-</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City School District of Mount Vernon, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2017

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	<u>\$ 69,615</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 6,244
Deposits	6,000
Student activity funds	<u>57,371</u>
Total Liabilities	<u>\$ 69,615</u>

The notes to financial statements are an integral part of this statement.



**Note 1 - Summary of Significant Accounting Policies**

The City School District of Mount Vernon, New York ("School District"), as presently constituted, was established in 1894 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

**A. Financial Reporting Entity**

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined by Education Law. Copies of BOCES' financial statements can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

**B. District-Wide Financial Statements**

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Fund Financial Statements**

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

**Fund Categories**

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is the Special Aid Fund. The Special Aid Fund is

**Note 1 - Summary of Significant Accounting Policies (Continued)**

used to account for special projects or programs supported in whole or in part with Federal, State or local funds. The major revenues of this fund are Federal and State aid.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they

**Note 1 - Summary of Significant Accounting Policies (Continued)**

are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liabilities and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances**

**Cash and Equivalents and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

**Restricted Cash** - Restricted cash in the Capital Projects Fund consists of deposits held by a financial institution. These funds are to be used for the Energy Performance Contract Improvements project.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Risk Disclosure**

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

**Concentration of Credit Risk** - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

**Property Taxes Receivable** - Real property taxes attach as an enforceable lien on real property as of July 1st. The taxes are levied in July and are payable in July and January. The City of Mount Vernon, New York ("City") is responsible for the billing and collection of the taxes. The City guarantees the full payment of the School District warrant and assumes responsibility for the uncollected taxes. On or after February 20th, the School District submits a statement of unpaid taxes to the City. The City remits, as collected, the unpaid taxes and within two years of the receipt of the statement, any balance due, exclusive of amounts legally restrained or prohibited.

**Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

**Due From/To Other Funds** - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Inventories** - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis, or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**Capital Assets** - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated

**Note 1 - Summary of Significant Accounting Policies (Continued)**

useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Improvements Other than Buildings	20
Buildings and Improvements	50-65
Machinery and Equipment	5-30

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

**Unearned Revenues** - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In the district-wide financial statements, unearned revenues consist of revenue received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$151,064 for Federal and State aid received in advance in the Special Aid Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District reported deferred outflows of resources of \$1,731,140 for a deferred loss on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District reported deferred inflows of resources of \$7,315,013 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The School District also reports deferred outflows of resources and deferred inflows of resources in the district-wide Statement of Net Position in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3F.

**Long-Term Liabilities** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

**Compensated Absences** - The various collective bargaining agreements provide for the payment of accumulated sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

**Net Pension Liability (Asset)** - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date"*.

**Net Position** - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for capital projects, unemployment benefits, debt service, workers' compensation benefits, school lunch, special purposes, tax certiorari and retirement system contributions. The balance is classified as unrestricted.

**Fund Balance** - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they

**Note 1 - Summary of Significant Accounting Policies (Continued)**

are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law or Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The School Board is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for amounts assigned for balancing the subsequent year's budget or by delegated authority to the Assistant Superintendent for Business for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

**F. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the



**Note 1 - Summary of Significant Accounting Policies (Continued)**

General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

**G. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**H. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 4, 2017.

**Note 2 - Stewardship, Compliance and Accountability**

**A. Budgetary Data**

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. An annual budget is not adopted for the School Lunch or Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

**B. Limitation on Fund Balance**

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount of fund balance to 4% of the ensuing year's budget. The School District is currently in excess of this amount.

**C. Property Tax Limitation**

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year. The original legislation that established the Tax Levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

**Note 2 - Stewardship, Compliance and Accountability (Continued)****D. Capital Projects Fund Deficit**

The unassigned deficit in the Capital Projects Fund of \$14,379,984 arises in-part because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. The deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the project deficit, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

**E. Expenditures in Excess of Budget**

The Swimming Pool Renovation capital project exceeded its budgetary authorization by \$564,488.

**Note 3 - Detailed Notes on All Funds****A. Taxes Receivable**

Taxes receivable at June 30, 2017 consisted of the following:

Current year	\$ 5,410,319
Prior years	<u>2,764,369</u>
	<u>\$ 8,174,688</u>

**B. Due From/To Other Funds**

The composition of interfund balances at June 30, 2017 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 6,056,461	\$ -
Special Aid	-	5,258,095
Capital Projects	-	727,844
Non-Major Governmental	-	70,522
	<u>\$ 6,056,461</u>	<u>\$ 6,056,461</u>

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

# City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## Note 3 - Detailed Notes on All Funds (Continued)

### C. Capital Assets

Changes in the School District's capital assets are as follows:

Class	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets, not being depreciated:				
Land	\$ 1,120,080	\$ -	\$ -	\$ 1,120,080
Construction-in-progress	17,522,956	49,583,195	46,114,242	20,991,909
Total Capital Assets, not being depreciated	<u>\$ 18,643,036</u>	<u>\$ 49,583,195</u>	<u>\$ 46,114,242</u>	<u>\$ 22,111,989</u>
Capital Assets, being depreciated:				
Improvements Other Than Buildings	\$ 2,016,676	\$ -	\$ -	\$ 2,016,676
Buildings and Improvements	179,170,951	46,114,242	-	225,285,193
Machinery and Equipment	11,940,234	957,417	-	12,897,651
Total Capital Assets, being depreciated	<u>193,127,861</u>	<u>47,071,659</u>	<u>-</u>	<u>240,199,520</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,408,615	39,541	-	1,448,156
Buildings and Improvements	62,961,407	5,186,837	-	68,148,244
Machinery and Equipment	11,140,267	266,907	-	11,407,174
Total Accumulated Depreciation	<u>75,510,289</u>	<u>5,493,285</u>	<u>-</u>	<u>81,003,574</u>
Total Capital Assets, being depreciated, net	<u>\$ 117,617,572</u>	<u>\$ 41,578,374</u>	<u>\$ -</u>	<u>\$ 159,195,946</u>
Capital Assets, net	<u>\$ 136,260,608</u>	<u>\$ 91,161,569</u>	<u>\$ 46,114,242</u>	<u>\$ 181,307,935</u>

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 39,541
Instruction	5,427,052
Pupil Transportation	10,153
Cost of Food Sales	<u>16,539</u>
Total Depreciation Expense	<u>\$ 5,493,285</u>

### D. Accrued Liabilities

Accrued liabilities at June 30, 2017 were as follows:

	General Fund
Payroll and Employee Benefits	<u>\$ 5,884,910</u>

# City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## Note 3 - Detailed Notes on All Funds (Continued)

### E. Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings.

Purpose	Year of Original Issue	Interest Rate	Maturity Date	Balance July 1, 2016	New Issues	Redemptions	Balance June 30, 2017
Bond Anticipation Notes:							
District-Wide Excel Project	2012	2.00 %	8/18/2017	\$ 4,600,000	\$ 3,060,000	\$ 4,600,000	\$ 3,060,000
District-Wide Infrastructure	2016	2.00	8/18/2017	-	14,000,000	-	14,000,000
				<u>\$ 4,600,000</u>	<u>\$ 17,060,000</u>	<u>\$ 4,600,000</u>	<u>\$ 17,060,000</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$46,000 were recorded in the fund financial statements in the General Fund. Interest expense of \$307,399 was recorded in the district-wide financial statements.

### F. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2017	Due Within One-Year
Bonds Payable:					
Judgments and Claims	\$ 5,249,167	\$ -	\$ 1,400,834	\$ 3,848,333	\$ 1,438,333
Capital Construction	81,790,833	-	6,839,166	74,951,667	7,161,667
	87,040,000	-	8,240,000	78,800,000	8,600,000
Plus - Unamortized premium on bonds	5,027,761	-	305,918	4,721,843	-
	92,067,761	-	8,545,918	83,521,843	8,600,000
Energy Performance Contract Debt Payable	44,940,988	-	-	44,940,988	2,570,831
Other Non-current Liabilities:					
Compensated Absences	2,317,850	151,099	232,000	2,236,949	224,000
Net Pension Liability	8,511,507	3,369,618	-	11,881,125	-
Other Post Employment Benefit Obligations Payable	61,963,417	13,332,977	7,194,163	68,102,231	-
Total Other Non-current Liabilities	72,792,774	16,853,694	7,426,163	82,220,305	224,000
Total Long-Term Liabilities	<u>\$ 209,801,523</u>	<u>\$ 16,853,694</u>	<u>\$ 15,972,081</u>	<u>\$ 210,683,136</u>	<u>\$ 11,394,831</u>

The School District's indebtedness for bonds, energy performance contract debt, compensated absences, net pension liability and other post employment benefit obligations is satisfied by the General Fund.

**Note 3 - Detailed Notes on All Funds (Continued)****Bonds Payable**

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2017
District-wide Improvements	2007	\$ 6,983,886	July, 2017	4.375 %	\$ 340,000
Tax Certiorari Judgments	2009	2,500,000	September, 2017	3.250	358,333
District-wide Improvements	2009	500,000	September, 2017	3.250	71,667
Tax Certiorari Judgments	2011	5,475,000	August, 2018	2.375 - 2.500	1,700,000
District-wide Improvements	2011	3,100,000	August, 2022	2.750 - 3.250	1,860,000
Refunding Bonds	2012	24,640,000	August, 2031	2.250 - 5.000	12,570,000
District-wide Improvements	2012	1,570,000	August, 2027	2.375 - 3.000	1,225,000
Tax Certiorari Judgments	2014	2,500,000	March, 2024	1.750 - 3.000	1,790,000
Refunding Bonds	2014	39,655,000	September, 2035	1.750 - 5.000	33,885,000
Refunding Bonds	2015	15,990,000	July, 2027	2.000 - 5.000	15,725,000
District-wide EXCEL Project	2015	9,665,000	August, 2030	1.500 - 5.000	9,275,000
					<u>\$ 78,800,000</u>

Interest expenditures of \$3,189,129 were recorded in the fund financial statements in the General Fund. Interest expense of \$2,775,593 was recorded in the district-wide financial statements.

**Energy Performance Contract Debt Payable**

The School District, in the prior year, entered into a \$44,940,988 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, commencing May 2017, with semi-annual installments of \$1,887,100, including interest, through May 2032. Payments include interest at rates ranging from 2.515% to 2.85%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2017 was \$44,940,988.

Interest expenditures of \$1,220,710 were recorded in the fund financial statements in the General Fund. Interest expense of \$1,322,436 was recorded in the district-wide financial statements.

**Payments to Maturity**

The annual requirements to amortize all outstanding bonded and energy performance contract debt as of June 30, 2017, including interest payments of \$27,265,238 are as follows:

Year Ending June 30,	Bonds Payable		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 8,600,000	\$ 2,758,741	\$ 2,570,831	\$ 1,203,368	\$ 11,170,831	\$ 3,962,109
2019	8,350,000	2,471,800	2,641,145	1,133,054	10,991,145	3,604,854
2020	6,370,000	2,198,852	2,713,386	1,060,813	9,083,386	3,259,665
2021	6,525,000	1,963,964	2,787,607	986,592	9,312,607	2,950,556
2022	6,260,000	1,729,085	2,863,862	910,337	9,123,862	2,639,422
2023-2027	27,080,000	5,007,421	15,538,332	3,332,663	42,618,332	8,340,084
2028-2032	15,150,000	1,371,291	15,825,825	1,100,513	30,975,825	2,471,804
2033-2036	465,000	36,744	-	-	465,000	36,744
	<u>\$ 78,800,000</u>	<u>\$ 17,537,898</u>	<u>\$ 44,940,988</u>	<u>\$ 9,727,340</u>	<u>\$ 123,740,988</u>	<u>\$ 27,265,238</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

The above general obligation bonds and energy performance contract debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

**Prior Year Defeasance**

In a prior fiscal year, the School District defeased serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2017, \$4,455,000 of bonds outstanding are considered defeased.

**Compensated Absences**

Civil service employees may accumulate an unlimited number of sick days. Upon retirement, those employees, with an excess of 80 days, will receive payment for unused sick days in accordance with the following schedule:

<u>Days Accumulated</u>	<u>Per Diem Rate</u>
81-110	\$ 35
111-150	40
151-210	45

Payments for unused sick leave shall not exceed \$5,350.

The School District also offers an additional retirement incentive to civil service employees, teachers and administrators who have accumulated in excess of 150 sick days. Those employees who use less than their annual sick day allotment may sell the remaining number of days given that year back to the School District at the rate of \$75 per day. At retirement, such money will be used by the School District to pay for the employee's share of health insurance and/or welfare fund contributions.

Vacation time is generally taken within the year earned. Compensated absences are funded by the General Fund. The value of the compensated absences has been reflected in the district-wide financial statements.

**Pension Plans**

*Employees' Retirement System*

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations

**Note 3 - Detailed Notes on All Funds (Continued)**

of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	21.8 %
2 75I	19.9
3 A14	16.1
4 A15	16.1
5 A15	13.2
6 A15	9.4

At June 30, 2017, the School District reported a liability of \$5,374,626 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the School District's proportion was .0571999% which was an increase of .0041696% from its proportion measured as of March 15, 2016.

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$3,182,807. Pension expenditures of \$2,513,333 were recorded in the fund financial statements (\$2,320,505 in the General Fund, \$79,678 in the Special Aid Fund and \$113,150 in the School Lunch Fund). At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:



**Note 3 - Detailed Notes on All Funds (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 134,683	\$ 816,167
Changes of assumptions	1,836,169	-
Net difference between projected and actual earnings on pension plan investments	1,073,531	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	558,838	-
School District contributions subsequent to the measurement date	<u>712,466</u>	<u>-</u>
	<u><u>\$ 4,315,687</u></u>	<u><u>\$ 816,167</u></u>

\$712,466 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2017	\$ 1,188,837
2018	1,188,837
2019	1,050,497
2020	(641,117)
Thereafter	-

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

**Note 3 - Detailed Notes on All Funds (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 17,165,492</u>	<u>\$ 5,374,626</u>	<u>\$ (4,594,528)</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

The components of the collective net pension liability of ERS as of the March 31, 2017 measurement date were as follows:

Total pension liability	\$ 177,400,586,000
ERS fiduciary net position	<u>168,004,363,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>94.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$712,466.

*Teachers' Retirement System*

The School District participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2017 was 11.72%.

At June 30, 2017, the School District reported a liability of \$6,506,499 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2016, the School District's proportion was .607492%, which was an increase of .001181% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$11,168,588. Pension expenditures of \$11,720,319 were recorded in the fund financial statements (\$10,989,958 in the General Fund and \$730,361 in the Special Aid Fund). At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

**City School District of Mount Vernon, New York**

Notes to Financial Statements (Continued)  
June 30, 2017

**Note 3 - Detailed Notes on All Funds (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,113,675
Changes of assumptions	37,065,158	-
Net difference between projected and actual earnings on pension plan investments	14,630,030	-
School District contributions and proportionate share of contributions	158,252	69,333
School District contributions subsequent to the measurement date	11,720,319	-
	<u>\$ 63,573,759</u>	<u>\$ 2,183,008</u>

\$11,720,319 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 4,537,247
2018	4,537,247
2019	15,899,333
2020	12,364,257
2021	5,677,014
Thereafter	6,655,334

The total pension liability for the June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent TRS member experience.

Service	Rate
5	4.72 %
15	3.46
25	2.37
35	1.90

Projected COLAs	1.5% compounded annually
Investment rate of return	7.5% compounded annually, net of pension plan investment expense, including inflation

**Note 3 - Detailed Notes on All Funds (Continued)**

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation date of June 30, 2015 is summarized in the following table:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Equities:		
Domestic equities	37 %	6.10 %
International equities	18	7.30
Real estate	10	5.40
Private equities	7	9.20
Total Equities	72	
Fixed Income:		
Domestic fixed income securities	17	1.00
Global fixed income securities	2	0.80
Mortgages	8	3.10
Short-term	1	0.10
Total Fixed Income	28	
Total	100 %	

\* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

### **Note 3 - Detailed Notes on All Funds (Continued)**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 84,892,061</u>	<u>\$ 6,506,499</u>	<u>\$ (59,239,202)</u>

The components of the collective net pension liability of TRS as of the June 30, 2016 measurement date were as follows:

Total pension liability	\$ 108,577,184,039
TRS fiduciary net position	<u>107,506,142,099</u>
Employers' net pension liability	<u>\$ 1,071,041,940</u>
TRS fiduciary net position as a percentage of total pension liability	<u>99.01%</u>

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$13,022,069.

#### *Voluntary Defined Contribution Plan*

The School District also offers a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. Pension expenditures for this program were \$35,600 for the year ended June 30, 2017 and were charged to the General Fund.

#### **Other Post Employment Benefit Obligations**

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post-employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employees may become eligible for those benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

**Note 3 - Detailed Notes on All Funds (Continued)**

The School District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the district-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

<u>Year Ended June 30,</u>	<u>Assumed Increase</u>
2018	5.40 %
2019	5.40
2020	5.30
2021	5.30
2022	5.30
2023+	3.94-5.29

The amortization basis is the level dollar method with an open amortization approach with 21 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return, a 5% inflation rate and a 4% annual payroll growth rate. The School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit cost method.

The number of participants as of June 30, 2017 was as follows:

Active Employees	1,362
Retired Employees	<u>730</u>
Total	<u>2,092</u>

**City School District of Mount Vernon, New York**

Notes to Financial Statements (Continued)  
June 30, 2017

**Note 3 - Detailed Notes on All Funds (Continued)**

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2016	\$ 165,381,902
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	\$ 165,381,902
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 112,713,944
UAAL as a Percentage of Covered Payroll	146.73%
Annual Required Contribution	\$ 12,555,621
Interest on Net OPEB Obligation	3,098,171
Adjustment to Annual Required Contribution	(2,320,815)
Annual OPEB Cost	13,332,977
Contributions Made	(7,194,163)
Increase in Net OPEB Obligation	6,138,814
Net OPEB Obligation - Beginning of Year	61,963,417
Net OPEB Obligation - End of Year	\$ 68,102,231

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 13,332,977	54.0 %	\$ 68,102,231
2016	12,591,371	43.5	61,963,417
2015	12,834,765	46.4	54,851,111

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

**G. Revenues and Expenditures**

**Interfund Transfers**

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.



## City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

### Note 3 - Detailed Notes on All Funds (Continued)

Transfers Out	Transfers In			Total
	General Fund	Special Aid Fund	Capital Projects Fund	
General Fund	\$ -	\$ 2,218,239	\$ 4,480,712	\$ 6,698,951
Capital Projects Fund	633,549	-	-	633,549
	<u>\$ 633,549</u>	<u>\$ 2,218,239</u>	<u>\$ 4,480,712</u>	<u>\$ 7,332,500</u>

Transfers are used to 1) move amounts earmarked in the General Fund to fulfill commitments for Special Aid and Capital Projects funds expenditures and 2) to move amounts from the Capital Projects Fund to the General Fund as projects are completed.

#### **H. Net Position**

The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted for Capital Projects* - the component of net position that reports the amounts restricted for capital projects less unexpended bond proceeds and unrestricted interest earnings.

*Restricted for Unemployment Benefits* - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-m of the General Municipal Law of the State of New York.

*Restricted for Debt Service* - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

*Restricted for Workers' Compensation Benefits* - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-j of the General Municipal Law of the State of New York.

*Restricted for School Lunch* - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund.

*Restricted for Special Purposes* - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

*Restricted for Tax Certiorari* - the component of net position that has been established in accordance with the Education Law of the State of New York to provide funding for court ordered tax refunds which are currently in process.

**Note 3 - Detailed Notes on All Funds (Continued)**

*Restricted for Retirement System Contributions* - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6-r of the General Municipal Law of the State of New York.

*Unrestricted* - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

# City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## Note 3 - Detailed Notes on All Funds (Continued)

### I. Fund Balances

	2017				2016			
	General Fund	Capital Projects Fund	Non-Major Governmental	Total	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable - Inventory	\$ -	\$ -	\$ 16,304	\$ 16,304	\$ -	\$ -	\$ 24,861	\$ 24,861
Restricted:								
Tax certiorari	5,629,534	-	-	5,629,534	5,819,241	-	-	5,819,241
Employee benefit accrued liability	1,023,622	-	-	1,023,622	1,515,288	-	-	1,515,288
Retirement system contributions	2,024,175	-	-	2,024,175	2,759,000	-	-	2,759,000
Unemployment benefits	74,357	-	-	74,357	98,814	-	-	98,814
Debt service	5,977,503	-	-	5,977,503	8,949,206	-	-	8,949,206
Workers' compensation benefits	317,145	-	-	317,145	782,839	-	-	782,839
Capital projects	-	-	-	-	-	32,050,334	-	32,050,334
Special purposes	-	-	63,132	63,132	-	-	67,476	67,476
Total Restricted	15,046,336	-	63,132	15,109,468	19,924,388	32,050,334	67,476	52,042,198
Assigned:								
Purchases on order:								
General government support	359,580	-	-	359,580	2,488,371	-	-	2,488,371
Instruction	45,357	-	-	45,357	107,307	-	-	107,307
Transportation	3,069	-	-	3,069	15,134	-	-	15,134
	408,006	-	-	408,006	2,610,812	-	-	2,610,812
Subsequent year's expenditures	6,332,450	-	-	6,332,450	2,576,554	-	-	2,576,554
School Lunch Fund	-	-	1,594,799	1,594,799	-	-	1,775,898	1,775,898
Total Assigned	6,740,456	-	1,594,799	8,335,255	5,187,366	-	1,775,898	6,963,264
Unassigned	11,229,031	(14,379,984)	-	(3,150,953)	11,571,113	-	-	11,571,113
Total Fund Balances	\$ 33,015,823	\$ (14,379,984)	\$ 1,674,235	\$ 20,310,074	\$ 36,682,867	\$ 32,050,334	\$ 1,868,235	\$ 70,601,436

**Note 3 - Detailed Notes on All Funds (Continued)**

Certain elements of fund balance are described above. Those additional elements which are not reflected in the statement of net position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditures because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to Section 6-p of the General Municipal Law of the State of New York to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2017, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balances in various capital projects.

**Note 4 - Summary Disclosure of Significant Contingencies**

**A. Litigation**

The School District, in common with other municipalities receives numerous notices of claims for monetary damages arising generally from personal injury. Of the claims currently pending, none are expected to have a material effect on the School District, if adversely settled.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

**B. Contingencies**

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

# City School District of Mount Vernon, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## **Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

### **C. Risk Management**

The School District purchases conventional insurance coverages to reduce its exposure to loss. The School District's general liability policy provides coverage up to \$1 million and the School District has an umbrella policy with \$10 million of coverage. The School District purchases conventional medical insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District is part of the New York State Public Schools Workers' Compensation Trust, a self-insurance workers' compensation trust.

## **Note 5 - Tax Abatements**

The Mount Vernon Industrial Development Agency ("MVIDA") is a public benefit corporation pursuant to the New York State Industrial Development Agency Act and MVIDA's enabling legislation, respectively constituting Title 1 of Article 18 A of the General Municipal Law of the State of New York, as amended and Chapter 786 of the 1976 Laws of New York, authorizing MVIDA to: (1) promote the economic welfare, recreational opportunities, and prosperity of its inhabitants; and (2) promote, attract, encourage, and develop recreation, economically sound commerce, and industry through governmental action for the purpose of preventing unemployment and economic deterioration.

To that end, MVIDA is permitted to issue revenue bonds/notes, sales tax exemption, mortgage recording tax exemption, and/or property tax abatements via payments in lieu of tax agreements ("PILOTs"). MVIDA's incentivized projects are legally titled to the MVIDA until all of their financial obligations are satisfied. Arrangements to review or access copies of these PILOT agreements may be made by contacting MVIDA's Records Access Officer, via [foilida@cmvny.com](mailto:foilida@cmvny.com).

Additionally, the City is permitted to issue revenue bonds/notes, sales tax exemption, mortgage recording tax exemption, and/or PILOT agreements. PILOT agreements are approved by the Board of Estimate and Contract and filed with the City Clerk's Office. Arrangements to review or access copies of these PILOT agreements may be made by contacting the City Comptroller's Office at 914-665-2304.

Information relevant to disclosure of these agreements for the fiscal year ended June 30, 2017 is as follows:

Start Date	Agreement	Taxable Assessed		Tax Value	PILOT Received	Taxes Abated
		Value	Tax Rate			
9/1/2010	American Christmas	\$ 115,000	87.985 %	\$ 101,183	\$ 141,378	\$ (40,195)
11/1/2014	Blue Rio/203 Gramatan	418,641	879.85	368,341	127,200	241,141
4/1/2016	Dominican Magic	52,583	879.85	46,265	44,400	1,865
8/1/2013	Enclave on 5th	94,300	879.85	82,970	34,373	48,597
5/1/2004	Grace Plaza	30,000	879.85	26,396	49,272	(22,876)
9/1/2014	Grace Terrace	125,404	879.85	110,337	54,940	55,397
12/1/2007	Grace Towers	198,100	879.85	174,298	99,343	74,955
6/23/1905	Heritage North/ Mount Vernon North	250,000	879.85	219,963	67,110	152,853
6/23/1905	Heritage South /Mount Vernon South	1,000,000	879.85	879,850	158,366	721,484
12/1/2014	Macquesten/130 Modern	190,000	879.85	167,172	37,616	129,556
5/1/2001	Sanford Terrace	15,000	879.85	13,198	9,891	3,307
6/23/1905	Target	500,000	879.85	439,925	243,157	196,768
4/1/2014	Zion Court	96,000	879.85	84,466	29,580	54,886
8/17/1971	Greater Centennial Homes	783,000	879.85	688,923	57,478	631,445
1/1/1983	Wartburg Farm School	3,495,000	879.85	3,075,077	-	3,075,077
7/1/2001	Levester Towers	862,000	879.85	758,431	207,701	550,730
		<u>\$ 8,225,028</u>		<u>\$ 7,236,795</u>	<u>\$ 1,361,805</u>	<u>\$ 5,874,990</u>

**Note 6 - Subsequent Events**

The School District, in August 2017, issued serial bonds in the amount of \$50,070,000. A portion of the serial bonds in the amount of \$13,070,000, along with \$930,000 of General Fund monies, will be used to redeem \$14,000,000 of bond anticipation notes issued to fund the District-wide Infrastructure capital project. These serial bonds will also provide \$37,000,000 in new monies to fund this project. The bonds mature annually through August 2032 and bear interest at rates ranging from 3.0% to 5.0% depending on maturity.

The School District, in August 2017, issued a bond anticipation note in the amount of \$2,990,000. This amount, along with \$70,000 of General Fund monies, will be used to redeem \$3,060,000 of outstanding bond anticipation notes for the District-Wide Excel capital project. The bond anticipation note is due on August 17, 2018, with interest at .73%.

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**City School District of Mount Vernon, New York****Required Supplementary Information - Schedule of Funding Progress  
Other Post Employment Benefits  
Last Three Fiscal Years**

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2016	\$ -	\$ 165,381,902	\$ 165,381,902	- %	\$ 112,713,944	146.73 %
July 1, 2015	-	156,818,248	156,818,248	-	108,261,037	144.85
July 1, 2014	-	156,767,305	156,767,305	-	102,519,872	152.91

See independent auditors' report.

## City School District of Mount Vernon, New York

Required Supplementary Information - Schedule of the  
School District's Proportionate Share of the Net Pension Liability (Asset)  
New York State Teachers' Retirement System  
Last Ten Fiscal Years (1)

	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.607492%</u>	<u>0.606311%</u>	<u>0.607830%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 6,506,499</u>	<u>\$ (62,976,396)</u>	<u>\$ (67,708,478)</u>
School District's covered payroll	<u>\$ 96,735,238</u>	<u>\$ 91,126,315</u>	<u>\$ 89,785,963</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>6.73%</u>	<u>(69.11)%</u>	<u>(75.41)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

See independent auditors' report.



**City School District of Mount Vernon, New York****Required Supplementary Information - Schedule of Contributions  
New York State Teachers' Retirement System  
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,720,319	\$ 12,827,093	\$ 15,974,443
Contributions in relation to the contractually required contribution	<u>(11,720,319)</u>	<u>(12,827,093)</u>	<u>(15,974,443)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 100,002,722</u>	<u>\$ 96,735,238</u>	<u>\$ 91,126,315</u>
Contributions as a percentage of covered payroll	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See independent auditors' report.

**City School District of Mount Vernon, New York**

Required Supplementary Information - Schedule of the  
School District's Proportionate Share of the Net Pension Liability  
New York State and Local Employees' Retirement System  
Last Ten Fiscal Years (1)

	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0571999%</u>	<u>0.0530303%</u>	<u>0.0523661%</u>
School District's proportionate share of the net pension liability	<u>\$ 5,374,626</u>	<u>\$ 8,511,507</u>	<u>\$ 1,769,056</u>
School District's covered payroll	<u>\$ 17,193,770</u>	<u>\$ 15,660,046</u>	<u>\$ 15,863,653</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>31.26%</u>	<u>54.35%</u>	<u>11.15%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

See independent auditors' report.

**City School District of Mount Vernon, New York****Required Supplementary Information - Schedule of Contributions  
New York State and Local Employees' Retirement System  
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,492,239	\$ 2,552,300	\$ 2,757,052
Contributions in relation to the contractually required contribution	<u>(2,492,239)</u>	<u>(2,552,300)</u>	<u>(2,757,052)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 17,622,287</u>	<u>\$ 14,864,717</u>	<u>\$ 15,199,078</u>
Contributions as a percentage of covered payroll	<u>14.14%</u>	<u>17.17%</u>	<u>18.14%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See independent auditors' report.

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**City School District of Mount Vernon, New York**

General Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 47,772,066	\$ 50,231,481
Receivables		
Taxes	8,174,688	9,200,503
Accounts, net of allowance for uncollectible amounts of \$19,831 in 2017 and \$11,917 in 2016	3,798	2,743
State and Federal aid	4,672,382	4,638,259
Due from other governments	3,647,479	2,392,651
Due from other funds	6,056,461	7,804,059
	<u>22,554,808</u>	<u>24,038,215</u>
Total Assets	<u>\$ 70,326,874</u>	<u>\$ 74,269,696</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 8,538,904	\$ 9,989,619
Accrued liabilities	5,884,910	2,140,988
Due to other governments	-	1,848,880
Due to retirement systems	13,734,535	14,167,090
Overpayments	1,837,689	1,709,346
Total Liabilities	<u>29,996,038</u>	<u>29,855,923</u>
Deferred inflows of resources		
Deferred tax revenues	<u>7,315,013</u>	<u>7,730,906</u>
Total Liabilities and Deferred Inflows of Resources	<u>37,311,051</u>	<u>37,586,829</u>
Fund balance		
Restricted	15,046,336	19,924,388
Assigned	6,740,456	5,187,366
Unassigned	11,229,031	11,571,113
Total Fund Balance	<u>33,015,823</u>	<u>36,682,867</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 70,326,874</u>	<u>\$ 74,269,696</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

General Fund

 Comparative Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 Years Ended June 30,

	2017				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
<b>REVENUES</b>					
Real property taxes	\$ 115,170,485	\$ 114,854,623	\$ 115,550,083	\$	\$ 695,460
Other tax items	21,018,220	21,018,220	21,810,273		792,053
Non-property taxes	2,325,000	2,325,000	2,453,795		128,795
Charges for services	977,300	977,300	1,498,685		521,385
Use of money and property	225,000	225,000	548,678		323,678
Interfund revenues	155,000	155,000	212,258		57,258
State aid	94,491,103	94,491,103	93,378,066		(1,113,037)
Federal aid	-	-	22,180		22,180
Miscellaneous	1,686,173	1,686,173	3,681,334		1,995,161
<b>Total Revenues</b>	<b>236,048,281</b>	<b>235,732,419</b>	<b>239,155,352</b>		<b>3,422,933</b>
<b>EXPENDITURES</b>					
Current					
General support					
Board of education	343,600	312,362	268,979	1,113	42,270
Central administration	731,346	766,053	753,079	-	12,974
Finance	1,616,284	1,696,973	1,669,460	-	27,513
Staff	1,857,153	1,870,371	1,786,417	936	83,018
Central services	21,568,779	24,103,737	23,335,621	357,531	410,585
Special items	2,637,646	5,009,238	4,996,190	-	13,048
<b>Total General Support</b>	<b>28,754,808</b>	<b>33,758,734</b>	<b>32,809,746</b>	<b>359,580</b>	<b>589,408</b>
Instruction					
Instruction, administration and improvement	10,165,685	10,461,722	10,399,267	1,065	61,390
Teaching - Regular school Programs for students with disabilities	69,549,036	67,354,773	66,902,197	22,412	430,164
Teaching - Special schools	43,063,570	38,869,483	38,702,082	919	166,482
Instructional media	1,757,094	1,672,153	1,650,646	2,960	18,547
Pupil services	6,396,711	6,657,974	6,599,911	10,954	47,109
	11,191,520	10,354,231	10,139,949	7,047	207,235
<b>Total Instruction</b>	<b>142,123,616</b>	<b>135,370,336</b>	<b>134,394,052</b>	<b>45,357</b>	<b>930,927</b>
Pupil transportation	7,841,759	8,409,129	8,374,805	3,069	31,255
Employee benefits	45,385,714	48,730,226	48,701,022	-	29,204
Debt service					
Principal	8,240,000	8,240,000	8,240,000	-	-
Interest	4,566,511	4,455,840	4,455,839	-	1
<b>Total Expenditures</b>	<b>236,912,408</b>	<b>238,964,265</b>	<b>236,975,464</b>	<b>408,006</b>	<b>1,580,795</b>
Excess (Deficiency) of Revenues Over Expenditures	(864,127)	(3,231,846)	2,179,888	(408,006)	5,003,728
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	125,000	125,000	218,470	-	93,470
Premium on bonds issued	-	-	-	-	-
Transfers in	-	-	633,549	-	633,549
Transfers out	(4,448,239)	(6,698,951)	(6,698,951)	-	-
<b>Total Other Financing Uses</b>	<b>(4,323,239)</b>	<b>(6,573,951)</b>	<b>(5,846,932)</b>	<b>-</b>	<b>727,019</b>
<b>Net Change in Fund Balance</b>	<b>(5,187,366)</b>	<b>(9,805,797)</b>	<b>(3,667,044)</b>	<b>\$ (408,006)</b>	<b>\$ 5,730,747</b>
<b>FUND BALANCE</b>					
Beginning of Year	5,187,366	9,805,797	36,682,867		
End of Year	\$ -	\$ -	\$ 33,015,823		

See independent auditors' report.

2016				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 114,701,891	\$ 114,545,844	\$ 114,789,340	\$	\$ 243,496
21,375,582	21,375,582	21,307,034		(68,548)
2,325,000	2,325,000	2,455,652		130,652
977,300	977,300	1,358,016		380,716
408,804	225,000	163,396		(61,604)
155,000	155,000	210,282		55,282
88,526,534	88,526,534	88,019,115		(507,419)
50,000	50,000	25,253		(24,747)
197,369	381,173	927,305		546,132
<u>228,717,480</u>	<u>228,561,433</u>	<u>229,255,393</u>		<u>693,960</u>
348,302	363,796	319,863	-	43,933
681,223	741,284	715,919	-	25,365
1,378,261	1,543,483	1,493,542	-	49,941
1,433,264	1,770,647	1,597,523	-	173,124
20,964,947	22,448,198	19,799,026	699,800	1,949,372
2,564,247	5,984,762	5,978,854	1,085	4,823
<u>27,370,244</u>	<u>32,852,170</u>	<u>29,904,727</u>	<u>700,885</u>	<u>2,246,558</u>
9,631,220	8,677,571	8,594,862	277	82,432
64,668,557	66,274,157	64,797,390	20,818	1,455,949
41,139,665	38,709,476	38,060,378	17,087	632,011
1,612,521	1,713,368	1,494,306	-	219,062
5,582,210	5,092,480	4,740,029	3,068	349,383
10,449,404	9,964,957	9,849,613	20,519	94,825
<u>133,083,577</u>	<u>130,432,009</u>	<u>127,536,578</u>	<u>61,769</u>	<u>2,833,662</u>
7,956,376	7,533,814	7,494,346	4,260	35,208
49,069,046	48,867,492	48,225,959	-	641,533
7,575,000	7,795,000	7,795,000	-	-
3,291,805	2,914,305	2,914,209	-	96
<u>228,346,048</u>	<u>230,394,790</u>	<u>223,870,819</u>	<u>766,914</u>	<u>5,757,057</u>
<u>371,432</u>	<u>(1,833,357)</u>	<u>5,384,574</u>	<u>(766,914)</u>	<u>6,451,017</u>
125,000	125,000	238,070	-	113,070
-	-	416,587	-	-
-	-	766	-	766
(3,308,239)	(3,774,399)	(3,687,344)	-	87,055
<u>(3,183,239)</u>	<u>(3,649,399)</u>	<u>(3,031,921)</u>	<u>-</u>	<u>200,891</u>
(2,811,807)	(5,482,756)	2,352,653	<u>\$ (766,914)</u>	<u>\$ 6,651,908</u>
<u>2,811,807</u>	<u>5,482,756</u>	<u>34,330,214</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,682,867</u>		

City School District of Mount Vernon, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2017

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REAL PROPERTY TAXES</b>	<u>\$ 115,170,485</u>	<u>\$ 114,854,623</u>	<u>\$ 115,550,083</u>	<u>\$ 695,460</u>
<b>OTHER TAX ITEMS</b>				
School tax relief reimbursement	19,018,220	19,018,220	19,018,220	-
Interest and penalties on real property taxes	1,250,000	1,250,000	1,294,143	44,143
Payments in lieu of taxes	<u>750,000</u>	<u>750,000</u>	<u>1,497,910</u>	<u>747,910</u>
	<u>21,018,220</u>	<u>21,018,220</u>	<u>21,810,273</u>	<u>792,053</u>
<b>NON-PROPERTY TAXES</b>				
Utility gross receipts tax	<u>2,325,000</u>	<u>2,325,000</u>	<u>2,453,795</u>	<u>128,795</u>
<b>CHARGES FOR SERVICES</b>				
Health services for other districts	25,000	25,000	28,808	3,808
Other services for other districts and governments	950,000	950,000	1,469,800	519,800
Other charges for services - Individuals	<u>2,300</u>	<u>2,300</u>	<u>77</u>	<u>(2,223)</u>
	<u>977,300</u>	<u>977,300</u>	<u>1,498,685</u>	<u>521,385</u>
<b>USE OF MONEY AND PROPERTY</b>				
Earnings on investments	175,000	175,000	540,883	365,883
Rentals - Other	<u>50,000</u>	<u>50,000</u>	<u>7,795</u>	<u>(42,205)</u>
	<u>225,000</u>	<u>225,000</u>	<u>548,678</u>	<u>323,678</u>
<b>INTERFUND REVENUES</b>	<u>155,000</u>	<u>155,000</u>	<u>212,258</u>	<u>57,258</u>



**STATE AID**

Basic formula	90,049,274	90,049,274	88,535,058	(1,514,216)
BOCES	3,094,119	3,094,119	3,140,480	46,361
Textbooks	617,567	617,567	615,761	(1,806)
Computer software and hardware	282,775	282,775	288,322	5,547
Library aid	57,368	57,368	57,817	449
Incarcerated youth	-	-	178,301	178,301
Other	390,000	390,000	562,327	172,327

	<u>94,491,103</u>	<u>94,491,103</u>	<u>93,378,066</u>	<u>(1,113,037)</u>
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**FEDERAL AID**

Medical assistance	-	-	22,180	22,180
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**MISCELLANEOUS**

Refund of prior year's expenditures	194,969	194,969	2,292,621	2,097,652
Other	1,491,204	1,491,204	1,388,713	(102,491)

	<u>1,686,173</u>	<u>1,686,173</u>	<u>3,681,334</u>	<u>1,995,161</u>
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**TOTAL REVENUES**

	<u>236,048,281</u>	<u>235,732,419</u>	<u>239,155,352</u>	<u>3,422,933</u>
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**OTHER FINANCING SOURCES**

Insurance recoveries	125,000	125,000	218,470	93,470
Transfers in				
Capital Projects Fund	-	-	633,549	633,549

**TOTAL OTHER FINANCING SOURCES**

	<u>125,000</u>	<u>125,000</u>	<u>852,019</u>	<u>727,019</u>
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**TOTAL REVENUES AND  
OTHER FINANCING SOURCES**

	<u>\$ 236,173,281</u>	<u>\$ 235,857,419</u>	<u>\$ 240,007,371</u>	<u>\$ 4,149,952</u>
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See independent auditors' report.

City School District of Mount Vernon, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
<b>GENERAL SUPPORT</b>					
<b>BOARD OF EDUCATION</b>					
Board of education	\$ 62,325	\$ 50,925	\$ 25,650	\$ 1,113	\$ 24,162
District clerk	147,775	152,302	150,342	-	1,960
District meeting	133,500	109,135	92,987	-	16,148
Total Board of Education	343,600	312,362	268,979	1,113	42,270
<b>CENTRAL ADMINISTRATION</b>					
Chief school administrator	731,346	766,053	753,079	-	12,974
<b>FINANCE</b>					
Business administration	1,325,807	1,363,571	1,361,240	-	2,331
Auditing	96,400	101,400	81,999	-	19,401
Purchasing	194,077	232,002	226,221	-	5,781
Total Finance	1,616,284	1,696,973	1,669,460	-	27,513
<b>STAFF</b>					
Legal	813,382	875,418	872,125	441	2,852
Fiscal agent fees	25,000	5,000	-	-	5,000
Personnel	786,271	807,453	751,403	495	55,555
Records management	53,500	30,500	26,247	-	4,253
Public information and services	179,000	152,000	136,642	-	15,358
Total Staff	1,857,153	1,870,371	1,786,417	936	83,018
<b>CENTRAL SERVICES</b>					
Operation of plant	11,984,271	12,874,228	12,358,337	213,554	302,337
Maintenance of plant	2,645,903	4,505,729	4,335,749	138,461	31,519
Security services	3,511,754	3,914,794	3,855,723	-	59,071
Central data processing	2,753,029	2,278,692	2,259,121	5,516	14,055
Central printing and mailing	673,822	530,294	526,691	-	3,603
Total Central Services	21,568,779	24,103,737	23,335,621	357,531	410,585

**SPECIAL ITEMS**

Unallocated insurance	1,293,000	1,325,270	1,324,735	-	535
School association dues	10,355	10,355	2,576	-	7,779
Administrative charge - BOCES	904,291	904,291	904,291	-	-
Assessments on school property	260,000	225,100	225,017	-	83
Judgments and claims	135,000	2,478,682	2,474,032	-	4,650
Other	35,000	65,540	65,539	-	1

Total Special Items	2,637,646	5,009,238	4,996,190	-	13,048
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Total General Support	28,754,808	33,758,734	32,809,746	359,580	589,408
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**INSTRUCTION****INSTRUCTION, ADMINISTRATION AND IMPROVEMENT**

Curriculum development and supervision	2,944,475	2,776,659	2,752,188	1,065	23,406
Supervision - Regular school	5,892,740	6,367,498	6,343,464	-	24,034
Supervision - Special school	1,120,403	1,111,798	1,107,781	-	4,017
Research, planning and evaluation	14,793	12,493	2,560	-	9,933
In-service training - Instruction	193,274	193,274	193,274	-	-

Total Instruction, Administration and Improvement	10,165,685	10,461,722	10,399,267	1,065	61,390
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<b>TEACHING - REGULAR SCHOOL</b>	69,549,036	67,354,773	66,902,197	22,412	430,164
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<b>PROGRAMS FOR STUDENTS WITH DISABILITIES</b>	43,063,570	38,869,483	38,702,082	919	166,482
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<b>TEACHING - SPECIAL SCHOOLS</b>	1,757,094	1,672,153	1,650,646	2,960	18,547
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**INSTRUCTIONAL MEDIA**

School library and audiovisual	1,723,257	1,369,516	1,324,114	5,897	39,505
Computer assisted instruction	4,673,454	5,288,458	5,275,797	5,057	7,604

Total Instructional Media	6,396,711	6,657,974	6,599,911	10,954	47,109
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(Continued)

**City School District of Mount Vernon, New York**

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>PUPIL SERVICES</b>					
Attendance - Regular school	\$ 697,726	\$ 666,148	\$ 664,646	\$ -	\$ 1,502
Guidance - Regular school	3,053,690	2,730,970	2,688,279	-	42,691
Health services - Regular school	2,775,077	2,442,844	2,416,305	-	26,539
Psychological services - Regular school	2,057,329	1,944,140	1,913,927	-	30,213
Social work services - Regular school	1,543,099	1,462,728	1,454,311	-	8,417
Pupil personnel services - Regular school	333,497	324,648	304,728	-	19,920
Interscholastic athletics - Regular school	731,102	782,753	697,753	7,047	77,953
Total Pupil Services	11,191,520	10,354,231	10,139,949	7,047	207,235
Total Instruction	142,123,616	135,370,336	134,394,052	45,357	930,927
<b>PUPIL TRANSPORTATION</b>					
District transportation services	149,625	128,625	122,464	-	6,161
Contract transportation	7,692,134	8,280,504	8,252,341	3,069	25,094
Total Pupil Transportation	7,841,759	8,409,129	8,374,805	3,069	31,255
<b>EMPLOYEE BENEFITS</b>					
State retirement	2,645,000	2,321,327	2,320,505	-	822
Teachers' retirement	11,740,000	10,991,611	10,989,958	-	1,653
Voluntary defined contribution plan	43,000	35,600	35,600	-	-
Early retirement incentive	(2,652,125)	686,706	686,706	-	-
Life insurance	7,870	5,700	2,413	-	3,287
Social security	7,528,000	8,464,393	8,463,914	-	479
Workers' compensation	1,664,734	1,640,526	1,639,274	-	1,252
Hospital, medical and dental benefits	23,133,350	23,018,785	23,001,380	-	17,405
Unemployment benefits	120,000	120,000	115,786	-	4,214
Disability insurance	25,000	25,000	25,000	-	-
Employee assistance program	27,885	28,252	28,252	-	-
Welfare fund contributions	1,103,000	1,392,326	1,392,234	-	92
Total Employee Benefits	45,385,714	48,730,226	48,701,022	-	29,204

**DEBT SERVICE**

## Principal

Serial bonds

8,240,000	8,240,000	8,240,000	-	-
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## Interest

Serial bonds

3,189,129	3,189,130	3,189,129	-	1
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Energy performance contract

1,331,382	1,220,710	1,220,710	-	-
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Bond anticipation notes

46,000	46,000	46,000	-	-
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4,566,511	4,455,840	4,455,839	-	1
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Total Debt Service

12,806,511	12,695,840	12,695,839	-	1
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**TOTAL EXPENDITURES**

236,912,408	238,964,265	236,975,464	408,006	1,580,795
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**OTHER FINANCING USES**

## Transfers out

Capital Projects Fund

2,230,000	4,480,712	4,480,712	-	-
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Special Aid Fund

2,218,239	2,218,239	2,218,239	-	-
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**TOTAL OTHER FINANCING USES**

4,448,239	6,698,951	6,698,951	-	-
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**TOTAL EXPENDITURES AND  
OTHER FINANCING USES**

<u>\$ 241,360,647</u>	<u>\$ 245,663,216</u>	<u>\$ 243,674,415</u>	<u>\$ 408,006</u>	<u>\$ 1,580,795</u>
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See independent auditors' report.

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**City School District of Mount Vernon, New York**

Special Aid Fund  
Comparative Balance Sheet  
June 30,

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 1,042,997	\$ 2,044,923
State and Federal aid receivable	<u>4,483,104</u>	<u>4,435,243</u>
 Total Assets	 <u>\$ 5,526,101</u>	 <u>\$ 6,480,166</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 116,942	\$ 104,176
Due to other funds	5,258,095	6,268,895
Unearned revenues	<u>151,064</u>	<u>107,095</u>
 Total Liabilities	 <u>\$ 5,526,101</u>	 <u>\$ 6,480,166</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

Special Aid Fund  
Comparative Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Years Ended June 30,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State aid	\$ 6,726,858	\$ 6,616,690	\$ 3,428,213	\$ (3,188,477)
Federal aid	12,799,453	13,758,326	9,395,256	(4,363,070)
Miscellaneous	1,286,227	1,308,297	527,836	(780,461)
Total Revenues	20,812,538	21,683,313	13,351,305	(8,332,008)
<b>EXPENDITURES</b>				
Current				
Instruction	23,030,777	23,901,552	15,569,544	8,332,008
Deficiency of Revenues Over Expenditures	(2,218,239)	(2,218,239)	(2,218,239)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,218,239	2,218,239	2,218,239	-
Net Change in Fund Balance	-	-	-	-
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.



2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,884,037	\$ 4,976,779	\$ 4,499,860	\$ (476,919)
11,884,237	11,914,788	8,554,146	(3,360,642)
865,847	851,395	731,519	(119,876)
17,634,121	17,742,962	13,785,525	(3,957,437)
19,852,360	19,517,361	15,472,869	4,044,492
(2,218,239)	(1,774,399)	(1,687,344)	87,055
2,218,239	1,774,399	1,687,344	(87,055)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**City School District of Mount Vernon, New York**

Capital Projects Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 4,740,420	\$ 7,204,525
Restricted cash	120,660	32,173,245
Total Assets	<u>\$ 4,861,080</u>	<u>\$ 39,377,770</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 1,453,220	\$ 1,350,885
Due to other funds	727,844	1,376,551
Bond anticipation notes payable	17,060,000	4,600,000
Total Liabilities	<u>19,241,064</u>	<u>7,327,436</u>
Fund balance (deficit)		
Restricted	-	32,050,334
Unassigned	<u>(14,379,984)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(14,379,984)</u>	<u>32,050,334</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 4,861,080</u>	<u>\$ 39,377,770</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

Capital Projects Fund  
Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
State aid	\$ -	\$ 3,390,019
<b>EXPENDITURES</b>		
Capital outlay	<u>50,277,481</u>	<u>19,712,412</u>
Deficiency of Revenues Over Expenditures	<u>(50,277,481)</u>	<u>(16,322,393)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Bonds issued	-	9,665,000
Energy performance contract debt issued	-	44,940,988
Transfers in	4,480,712	2,000,000
Transfers out	<u>(633,549)</u>	<u>(766)</u>
Total Other Financing Sources	<u>3,847,163</u>	<u>56,605,222</u>
Net Change in Fund Balance	(46,430,318)	40,282,829
<b>FUND BALANCE (DEFICIT)</b>		
Beginning of Year	<u>32,050,334</u>	<u>(8,232,495)</u>
End of Year	<u>\$ (14,379,984)</u>	<u>\$ 32,050,334</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

Capital Projects Fund  
Project-Length Schedule

Inception of Project Through June 30, 2017

Project	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
District-Wide Improvements	\$ 121,638,876	\$ 121,635,769	\$ 3,107	\$ 121,638,876	\$ -
District-Wide Excel Project	20,000,000	15,621,465	3,943,267	19,564,732	435,268
District-Wide Repairs	300,000	199,574	100,426	300,000	-
Swimming Pool Renovation	1,500,000	210,280	1,854,208	2,064,488	(564,488)
District- Wide Infrastructure	108,357,500	1,261,719	10,104,519	11,366,238	96,991,262
Energy Performance Contract Improvements	44,940,988	13,430,991	31,427,063	44,858,054	82,934
Parker Emergency Nurse Suite	65,289	29,936	35,353	65,289	-
Thornton High School Emergency Band Project	244,711	184,406	60,305	244,711	-
Annual Projects 2016-2017	2,130,000	2,897	1,791,831	1,794,728	335,272
Mandela High School Fire Escapes	350,000	-	350,000	350,000	-
Thornton High School Fire Escapes	250,000	-	250,000	250,000	-
Mandela Bathroom	275,000	-	26,389	26,389	248,611
Columbus Walkway (Masonry)	100,000	-	89,770	89,770	10,230
Mount Vernon High School Walkway	600,000	-	574,321	574,321	25,679
Mount Vernon High School Classrooms	1,000,000	-	28,000	28,000	972,000
Mount Vernon High School - Little Hands Playground	400,000	-	49,950	49,950	350,050
Mount Vernon High School Sun Shades	50,712	-	-	-	50,712
Annual Projects 2017-18	1,400,177	-	219,681	219,681	1,180,496
AB Davis Library Floor Repair	768,451	-	2,840	2,840	765,611
Total	<u>\$ 304,371,704</u>	<u>\$ 152,577,037</u>	<u>\$ 50,911,030</u>	<u>\$ 203,488,067</u>	<u>\$ 100,883,637</u>

See independent auditors' report.

Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) at June 30, 2017	Bond Anticipation Notes Out- standing at June 30, 2017
	Interfund Transfers	State Aid	Total		
\$ 120,320,376	\$ 1,318,500	\$ -	\$ 121,638,876	\$ -	\$ -
12,343,158	-	4,594,349	16,937,507	(2,627,225)	3,060,000
-	300,000	-	300,000	-	-
-	500,000	-	500,000	(1,564,488)	-
-	-	-	-	(11,366,238)	14,000,000
44,940,988	-	-	44,940,988	82,934	-
-	65,289	-	65,289	-	-
-	244,711	-	244,711	-	-
-	2,130,000	-	2,130,000	335,272	-
-	350,000	-	350,000	-	-
-	250,000	-	250,000	-	-
-	-	-	-	(26,389)	-
-	100,000	-	100,000	10,230	-
-	600,000	-	600,000	25,679	-
-	1,000,000	-	1,000,000	972,000	-
-	-	-	-	(49,950)	-
-	50,712	-	50,712	50,712	-
-	-	-	-	(219,681)	-
-	-	-	-	(2,840)	-
<u>\$ 177,604,522</u>	<u>\$ 6,909,212</u>	<u>\$ 4,594,349</u>	<u>\$ 189,108,083</u>	<u>\$ (14,379,984)</u>	<u>\$ 17,060,000</u>

**City School District of Mount Vernon, New York**

Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2017  
(With Comparative Totals for 2016)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2017	2016
<b>ASSETS</b>				
Cash and equivalents	\$ 1,411,623	\$ 63,132	\$ 1,474,755	\$ 1,712,937
Receivables				
State and Federal aid	270,019	-	270,019	274,761
Due from other governments	-	-	-	38,669
	270,019	-	270,019	313,430
Inventories	16,304	-	16,304	24,861
Total Assets	<u>\$ 1,697,946</u>	<u>\$ 63,132</u>	<u>\$ 1,761,078</u>	<u>\$ 2,051,228</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 16,177	\$ -	\$ 16,177	\$ 24,293
Due to other funds	70,522	-	70,522	158,613
Due to other governments	144	-	144	87
Total Liabilities	<u>86,843</u>	<u>-</u>	<u>86,843</u>	<u>182,993</u>
Fund balances				
Nonspendable	16,304	-	16,304	24,861
Restricted	-	63,132	63,132	67,476
Assigned	1,594,799	-	1,594,799	1,775,898
Total Fund Balances	<u>1,611,103</u>	<u>63,132</u>	<u>1,674,235</u>	<u>1,868,235</u>
Total Liabilities and Fund Balances	<u>\$ 1,697,946</u>	<u>\$ 63,132</u>	<u>\$ 1,761,078</u>	<u>\$ 2,051,228</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	School Lunch	Special Purpose	Total Non-Major Governmental Funds	
			2017	2016
<b>REVENUES</b>				
Use of money and property	\$ 769	\$ 256	\$ 1,025	\$ 799
Food sales	369,771	-	369,771	322,259
State aid	147,106	-	147,106	155,272
Federal aid	3,896,786	-	3,896,786	4,051,475
Miscellaneous	-	-	-	2,188
Total Revenues	<u>4,414,432</u>	<u>256</u>	<u>4,414,688</u>	<u>4,531,993</u>
<b>EXPENDITURES</b>				
Current				
Cost of food sales	4,604,088	-	4,604,088	4,410,888
Other	-	4,600	4,600	9,676
Total Expenditures	<u>4,604,088</u>	<u>4,600</u>	<u>4,608,688</u>	<u>4,420,564</u>
Excess (Deficiency) of Revenues Over Expenditures	(189,656)	(4,344)	(194,000)	111,429
<b>FUND BALANCES</b>				
Beginning of Year	<u>1,800,759</u>	<u>67,476</u>	<u>1,868,235</u>	<u>1,756,806</u>
End of Year	<u>\$ 1,611,103</u>	<u>\$ 63,132</u>	<u>\$ 1,674,235</u>	<u>\$ 1,868,235</u>

See independent auditors' report.

City School District of Mount Vernon, New York

School Lunch Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 1,411,623	\$ 1,645,461
Receivables		
State and Federal aid	270,019	274,761
Due from other governments	-	38,669
	270,019	313,430
Inventories	16,304	24,861
Total Assets	\$ 1,697,946	\$ 1,983,752
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 16,177	\$ 24,293
Due to other funds	70,522	158,613
Due to other governments	144	87
Total Liabilities	86,843	182,993
Fund balance		
Nonspendable	16,304	24,861
Assigned	1,594,799	1,775,898
Total Fund Balance	1,611,103	1,800,759
Total Liabilities and Fund Balance	\$ 1,697,946	\$ 1,983,752

See independent auditors' report.



**City School District of Mount Vernon, New York**

School Lunch Fund

Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Use of money and property	\$ 769	\$ 606
Food sales	369,771	322,259
State aid	147,106	155,272
Federal aid	<u>3,896,786</u>	<u>4,051,475</u>
 Total Revenues	 4,414,432	 4,529,612
 <b>EXPENDITURES</b>		
Current		
Cost of food sales	<u>4,604,088</u>	<u>4,410,888</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (189,656)	 118,724
 <b>FUND BALANCE</b>		
Beginning of Year	<u>1,800,759</u>	<u>1,682,035</u>
 End of Year	 <u><u>\$ 1,611,103</u></u>	 <u><u>\$ 1,800,759</u></u>

See independent auditors' report.

City School District of Mount Vernon, New York

Special Purpose Fund  
Comparative Balance Sheet  
June 30,

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 63,132</u>	<u>\$ 67,476</u>
<b>FUND BALANCE</b>		
Fund balance		
Restricted	<u>\$ 63,132</u>	<u>\$ 67,476</u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

Special Purpose Fund  
Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Years Ended June 30,

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	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Use of money and property	\$ 256	\$ 193
Miscellaneous	<u>-</u>	<u>2,188</u>
Total Revenues	256	2,381
<b>EXPENDITURES</b>		
Current		
Other	<u>4,600</u>	<u>9,676</u>
Deficiency of Revenues Over Expenditures	(4,344)	(7,295)
<b>FUND BALANCE</b>		
Beginning of Year	<u>67,476</u>	<u>74,771</u>
End of Year	<u><u>\$ 63,132</u></u>	<u><u>\$ 67,476</u></u>

See independent auditors' report.

City School District of Mount Vernon, New York

General Fund  
Analysis of Change from Adopted Budget to Final Budget  
Year Ended June 30, 2017

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Adopted Budget	\$ 238,749,835
Additions - Encumbrances	<u>2,610,812</u>
Original Budget	241,360,647
Budget Revisions	<u>4,302,569</u>
Final Budget	<u><u>\$ 245,663,216</u></u>

General Fund  
Section 1318 of Real Property Tax Law Limit Calculation

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2017-18 Expenditure Budget	<u>\$ 246,169,123</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	6,740,456
Unassigned fund balance	<u>11,229,031</u>
Total Unrestricted Fund Balance	<u>17,969,487</u>
Less	
Appropriated for subsequent year's budget	6,332,450
Encumbrances	<u>408,006</u>
Total Adjustments	<u>6,740,456</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 11,229,031</u></u>
Actual Percentage	<u><u>4.56%</u></u>

See independent auditors' report.

**City School District of Mount Vernon, New York**

**Schedule of Net Investment in Capital Assets**  
**Year Ended June 30, 2017**

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Capital Assets, net		\$ 181,307,935
Plus		
Unexpended debt proceeds	2,716,696	
Unamortized portion of loss on refunding bonds	<u>1,731,140</u>	4,447,836
Less		
Bonds payable - Capital construction	(74,951,667)	
Energy performance contract payable	(44,940,988)	
Bond anticipation notes payable	(17,060,000)	
Unamortized portion of issuance premium on refunding bonds	<u>(4,721,843)</u>	<u>(141,674,498)</u>
Net Investment in Capital Assets		<u><u>\$ 44,081,273</u></u>

See independent auditors' report.

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**Independent Auditors' Report**

**The Board of Education of the  
City School District of Mount Vernon, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City School District of Mount Vernon, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

October 4, 2017



**Report on Compliance for Each Major Federal Program and Report  
on Internal Control Over Compliance Required by  
the Uniform Guidance**

**Independent Auditors' Report**

**The Board of Education of the  
City School District of Mount Vernon, New York**

**Report on Compliance for Each Major Federal Program**

We have audited the City School District of Mount Vernon, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

October 4, 2017

**City School District of Mount Vernon, New York**

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 1,149,395
National School Lunch Program - Commodities	10.555	N/A	-	313,622
National School Lunch Program - Cash	10.555	N/A	-	2,250,240
Summer Food Service Program for Children	10.559	N/A	-	183,529
Total U.S. Department of Agriculture			-	3,896,786
<u>U.S. Department of Education</u>				
Direct Programs				
Arts in Education 2014-15	84.351		-	3,024
Arts in Education 2015-16	84.351		-	39,999
Arts in Education 2016-17	84.351		-	224,941
			-	267,964
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	0032-16-1076	-	10,524
Special Education - Grants to States	84.027	0032-17-1076	34,801	2,410,239
Special Education - Preschool Grants	84.173	0033-16-1076	-	2,170
Special Education - Preschool Grants	84.173	0033-17-1076	-	55,468
Subtotal Special Education Cluster			34,801	2,478,401
Title I Grants to Local Educational Agencies	84.010	0011-16-2090	-	66,326
Title I Grants to Local Educational Agencies	84.010	0011-17-2108	-	430,362
Title I Grants to Local Educational Agencies	84.010	0011-16-7070	-	142,721
Title I Grants to Local Educational Agencies	84.010	0011-17-7070	-	375,757
Title I Grants to Local Educational Agencies	84.010	0021-16-3740	-	217,832
Title I Grants to Local Educational Agencies	84.010	0021-17-3740	-	2,743,234
			-	3,976,232
Career and Technical Education	84.048	8000-16-0045	-	5,446
Career and Technical Education	84.048	8000-17-0045	-	74,613
			-	80,059

(Continued)

**City School District of Mount Vernon, New York**
**Schedule of Expenditures of Federal Awards (Continued)**
**Year Ended June 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Education (Continued)</u>				
Education of Homeless Children and Youth	84.196	0212-16-4058	\$ -	\$ 5,346
Education of Homeless Children and Youth	84.196	0212-17-3013	-	52,400
			-	57,746
21st Century Community Learning Centers	84.287	0187-16-6110	-	97,119
21st Century Community Learning Centers	84.287	0187-17-6110	-	349,372
			-	446,491
English Language Acquisition State Grants	84.365	0149-16-3740	-	117,818
English Language Acquisition State Grants	84.365	0293-16-3740	-	53,174
English Language Acquisition State Grants	84.365	0293-17-3740	-	59,369
			-	230,361
Supporting Effective Instruction State Grant	84.367	0147-16-3740	-	86,476
Supporting Effective Instruction State Grant	84.367	0147-17-3740	-	552,153
			-	638,629
Title I School Improvement Grant	84.377	0123-16-7004	-	4,084
Title I School Improvement Grant	84.377	0123-17-7004	-	457,680
Title I School Improvement Grant	84.377	0123-16-6107	-	40,056
Title I School Improvement Grant	84.377	0123-17-6107	-	364,642
Title I School Improvement Grant	84.377	0123-17-7519	-	258,078
			-	1,124,540
Total U.S. Department of Education			34,801	9,300,423
<u>U.S. Department of Health and Human Services</u>				
Indirect Program - Passed through New York State Office of Alcoholism and Substance Abuse Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-16	-	73,047
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-17	-	21,786
			-	94,833
Total Expenditures of Federal Awards			\$ 34,801	\$ 13,292,042

(1) Catalog of Federal Domestic Assistance number  
N/A - Information not available

The accompanying notes are an integral part of this schedule.

## **City School District of Mount Vernon, New York**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017**

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City School District of Mount Vernon, New York ("School District") under programs of the federal government for the year ended June 30, 2017. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**City School District of Mount Vernon, New York**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

\_\_\_\_ Yes      X   No  
\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements  
noted?

\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

\_\_\_\_ Yes      X   No  
\_\_\_\_ Yes      X   None reported

Type of auditors' report issued on compliance  
for major federal programs

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)?

\_\_\_\_ Yes      X   No

Identification of major Federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027  
84.173  
84.365

Special Education Cluster (IDEA):  
Special Education – Grants to States  
Special Education – Preschool Grants  
English Language Acquisition State Grants

Dollar threshold used to distinguish  
between Type A and Type B programs:  
Auditee qualified as low-risk auditee?

\$750,000  
  X   Yes    \_\_\_\_ No

**City School District of Mount Vernon, New York**

**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Awards Findings and Questioned Costs**

None

**City School District of Mount Vernon, New York**

**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2017**

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None