PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE **SERIAL BONDS**

In the opinion of Trespasz & Marquardt, LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance by the District with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Bonds. See "TAX MATTERS" herein.

The Bonds will NOT be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

$17,725,000
MEXICO CENTRAL SCHOOL DISTRICT
OSWEGO COUNTY, NEW YORK

$17,725,000 School District (Serial) Bonds, 2018
(referred to herein as the "Bonds")

Dated: June 21, 2018 **Due: June 15, 2019-2033**

MATURITIES**

Year	Amount	Year	Amount	Year	Amount
2019	985,000	2024	1,160,000	2029	1,355,000 *
2020	1,075,000	2025	1,200,000	2030	1,405,000 *
2021	1,090,000	2026	1,240,000	2031	1,455,000 *
2022	1,110,000	2027	1,270,000 *	2032	1,205,000 *
2023	1,130,000	2028	1,320,000 *	2033	725,000 *

* The Bonds maturing in the years 2027-2033 are subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Optional Redemption" herein.

** Principal amounts are subject to change pursuant to the accompanying Notice of Bond Sale in order to achieve substantially level or declining annual debt service.

The Bonds are general obligations of the Mexico Central School District, Oswego County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount. See "THE BONDS – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on Bonds will be payable on December 15, 2018 and semi-annually thereafter on June 15 and December 15 in each year until maturity (or early redemption). Principal and interest will be paid by the District to DTC, which in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein. See "BOOK-ENTRY-ONLY-SYSTEM" herein. The Bonds may not be converted into coupon bonds or be registered to bearer.

Proposals for the Bonds shall be for not less than $17,725,000 and accrued interest, if any, on the total principal amount of the Bonds. Proposals must be accompanied by a good faith deposit in the form of a wire transfer or certified or cashier's check, payable to the order of the Mexico Central School District, Oswego County, New York, in the amount of $354,500.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of an unqualified legal opinion as to the validity of the Bonds of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or as otherwise may be agree upon with the purchaser, on or about June 21, 2018

Sealed bids will be received on WEDNESDAY, MAY 30, 2018 until 11:00 a.m. Prevailing Time, in accordance with the Notice of Sale at R.G. Timbs, Inc., 24 Sherman Oaks Drive, New Hartford, NY 13413, fax (315)266-9212.

May 21, 2018

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORANCE WITH SAID RULE AND THAT WILL BE SUPPLIES WHEN THIS OFFFICIAL STATEMENT IS UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGRREMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE APPENDIX-D, CONTINUING DISCLOSURE UNDERTAKING" HEREIN

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT
OSWEGO COUNTY, NEW YORK

School District Officials

2017-18 BOARD OF EDUCATION

James Emery - President
Darlene Upcraft - Vice President

Chad Bigelow
Connie Douglas
Merrilee Gorton
Amy Shaw
Sue Teifke

Sean Bruno - Superintendent of Schools
John McKeown – School Business Administrator
JoAnn Bourgeois – School Business Manager
LeAnn Skotniski – District Clerk

School District Attorney

Ferrara Fiorenza PC

BOND COUNSEL

Trespasz & Marquardt, LLP
Syracuse, New York

MUNICIPAL ADVISOR

R.G. TIMBS INC.

R. G. Timbs, Inc.

No person has been authorized by the School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District

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APPENDIX - A – Financial Information
APPENDIX – B - Audited Financial Statements for the Fiscal Year Ended June 30, 2017
APPENDIX - C – Form of Legal Opinion
APPENDIX - D – Form of Continuing Disclosure Undertaking

PREPARED WITH THE ASSISTANCE OF:

R.G. TIMBS INC.

R. G. Timbs, Inc
24 Sherman Oaks Drive
New Hartford, New York 13413
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Expert@rgtimbsinc.net

OFFICIAL STATEMENT

of the

MEXICO CENTRAL SCHOOL DISTRICT
OSWEGO COUNTY, NEW YORK
Relating To
$17,725,000 School District (Serial) Bonds, 2018

This Official Statement, which includes the cover page, has been prepared by the Mexico Central School District, Oswego County, New York in connection with the sale by the School District of $17,725,000 aggregate principal amount of School District (Serial) Bonds, 2018 (herein referred to as the "Bonds").

The factors affecting the School District's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the School District tax base, revenues, and expenditures, this Official Statement should read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

Description of the Bonds

The Bonds are general obligations of the School District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the School District is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount.

The Bonds will be dated June 21, 2018 and mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein under the heading "Optional Redemption" hereunder. The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date.

The Bonds will be issues as registered bonds and, when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry only form, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Principal and Interest will be paid by the School District to the Securities Depository, which will in turn remit such principal and interest to its Participants for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds bear interest from June 21, 2018, with interest thereon payable on December 15, 2018 and semi-annually thereafter on June 15 and December 15.

Optional Redemption

The Bonds maturing on or before June 15, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2027 will be subject to redemption prior to maturity as a whole or in part (selected at random if less than all of a maturity is to be redeemed) at the option of the District on June 15, 2026 or any date thereafter at par (100%), plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the District at random (by lot or in any other customary manner of selection as determined by the President of the Board of Education). Notice of such call for redemption shall be given by mailing such notice to the registered owners of the Bonds not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

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Purpose and Authorization

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among other things, the Education Law and Local Finance Law, and pursuant to a bond resolution that was adopted by the Board of Education of the District on June 12, 2013 which authorizes the renovation improvements of School District buildings.

There are currently outstanding against the June 12, 2013 Resolution, $18,865,000 Bond Anticipation Notes maturing June 29, 2018. These Notes will be paid in full at maturity with the proceeds of this issue together with $1,140,000 of available funds.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bond is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT

PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

In the event the book-entry-only system is discontinued the following provisions will apply: The Bonds will be issued registered form in denominations of $5,000 each or integral multiples thereof for any single maturity, except one Bond of an odd denomination maturing in 2019. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the School District upon termination of the book-entry-only system. Interest on the Bonds will remain payable on December 15, 2018 and semi-annually thereafter on June 15 and December 15, in each year to maturity. Interest on the Bonds will be payable by check or draft mailed by the fiscal agent to the registered owners of the Bonds, as shown on the registration books of the School District maintained by the fiscal agent as of the close of business on the Record Date, being the last day of business day of the calendar month preceding each interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner for Bonds of the same maturity or any other authorized denomination or denominations in the same aggregate principal amount in the manner described on the Bonds and as referenced in certain proceedings of the School District referred to therein.

The District

General Information

The District is located in upstate New York in the central sector of Oswego County, and covers a land area of approximately 100 square miles. The District is approximately 25 miles north of the City of Syracuse. The western border of the District is within four miles of the City of Oswego. Main highways serving the District include New York State Routes #3, #11, #69 and #104, as well as Interstate Highway #81 which extends south from the Canadian border through Pennsylvania.

The District encompasses all or portions of the Towns of Hastings, Mexico, New Haven, Palermo, Parish, Richland, Scriba and Volney and the Village of Mexico. The Village of Mexico, having a 2010 census of 1,624, is the shopping and commercial center of the District. The District is largely suburban-rural in character with some small industry, including Grandma Brown's Beans, Inc. processing plant. Agricultural enterprises include dairy farming as well as fruit and vegetable production.

Police protection is provided by State and County agencies. Fire protection is provided by various volunteer fire departments. Gas and electricity are provided by National Grid.

District Facilities

Name	Grades	Year Built	Current Maximum Capacity	Date of Last Addition or Alteration
Mexico Elementary School	PK-4	1955	459	2015
New Haven Elementary School	PK-4	1952	324	2015
Palermo Elementary School	PK-4	1957	324	2015
Mexico Middle School	5-8	1963	910	2015
Mexico High School	9-12	1936	920	2016

Source: District Officials

District Employees

The District employs approximately 460 union employees, 12 non-union employees and 226 substitutes. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreements are as follows:

Employees	Bargaining Unit	Expiration Date
271	Mexico Faculty Association	6/30/2018
10	Mexico Association of Supervisors and Administrators	6/30/2017 *
22	Mexico Full Time Secretarial and Office Staff Association	6/30/2018
158	Mexico CSEA, Local 1000, AFSCME/AFL-CIO	6/30/2019

* Currently Negotiating

Source: District Officials

Historical and Projected Enrollment

Fiscal Year	Actual	Fiscal Year	Projected
2013-14	2164	2018-19	2082
2014-15	2134	2019-20	2083
2015-16	2155	2020-21	2085
2016-17	2149	2021-22	2068
2017-18	2094	2022-23	2070

Source: District Officials

Employee Pension Benefits

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement -System ("ERS"). In the District's 2017-18 Budget, the appropriation for payments to ERS is $1,031,867.

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to TRS are deducted from the School District's State aid payments. In the District's 2017-18 Budget, the appropriation for payments to TRS is $1,826,696.

Both the ERS and the TRS (together, the "Retirement Systems") are non-contributory with respect to members hired prior to July 27, 1976. Other than those in Tier V and Tier VI, all members hired on or after July 27, 1976 with less than 10 years of service must contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, pension reform legislation was signed into law that created a new Tier V pension level. Key components of Tier V include:

• Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
• Requiring ERS employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
• Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
• Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at $15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Members of the TRS have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

• Raising the minimum age an individual can retire without penalty from 55 to 57 years.
• Contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits.
• Increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, Tier V applies only to public employees hired after December 31, 2009 and before April 2, 2012.

On March 16, 2012, legislation was signed into law that created a new Tier VI pension program, The Tier VI plan only applies to those employees hired on or after April 1, 2012. The new pension tier has progressive contribution rates between 3% to 6% of salary; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI permits only two salaries to be included in the calculation. The pension multiplier for Tier VI is 1.75% for the first 20 years of service and 2% thereafter; Vesting will occur after 10 years of service. The final average salary is based on a five-year average instead of the previous Tiers' three-year average. Pension eligible overtime for civilian and non-uniformed employees will be capped at $15,000, indexed for inflation. For uniformed employees outside of New York City, the cap is set at 15% of base pay. The number of sick and leave days that can be applied toward retirement service credit is reduced from 200 to 100. The legislation includes an optional defined contribution plan for new non-union employees with annual salaries of $75,000 or more. The State is required to fund any pension enhancements on an ongoing basis. This is a potential future cost savings for local governments.

The average contribution rate for the ERS for the 2017-18 fiscal year is 15.3%. The average contribution rate for the TRS for the 2017-18 fiscal year is 9.8%

The average contribution rate for the ERS for 2018-19 fiscal year is 14.9% and the estimated average contribution rate for the TRS for 2018-19 fiscal year is 10.63%

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use. The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 12.5% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District’s employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

There is now an accounting rule that will require governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Prior to GASB 45, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

The following table shows the components of the District's annual OPEB cost for the year 2017, the amount contributed to the plan and changes in the District's net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation	FYE June 30:
Annual required contribution (ARC)	$ 4,335,592
Interest on net OPEB obligation	1,066,179
Less: Adjustments to ARC	(1,482,146)
Annual OPEB cost (expense)	3,919,625
Less Contributions Made	(1,036,938)
Increase in net OPEB Obligation	2,882,687
Net OPEB obligation-beginning of year	26,654,482
Net OPEB obligation-end of year	$ 29,537,169

Funding Status	
Actuarial Accrued Liability (AAL)	$ 41,551,989
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 41,551,989
Funded Ratio (Assets as a Percentage of AAL)	0%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2017	$ 3,919,625	26.5%	$ 29,537,169
June 30, 2016	4,052,292	28.6%	26,654,482
June 30, 2015	3,874,959	25.7%	23,759,150

The aforementioned liability and ARC are recognized and will be disclosed in accordance with GASB 45 standards in the District's audited financial statements.

There is no authority in current State law to establish a trust account or reserve fund for this liability. While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015 that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation has not advanced past the committee stage.

The School District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the School District's finances and could force the School District to reduce services, raise taxes or both.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement 75 ("GASB 75"), which when implemented will supersede and eliminate GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 is required to be implemented for all municipalities and school districts in the fiscal year beginning after June 2017. Actuarial valuation will be required every two years for GASB 75.

Major Employers

Name	Nature of Business	Estimated Number of Employees
Oswego State University	University	1689
Oswego Health, Inc.	Hospital/Human Services	1237
County of Oswego	Government	1109
Wal-Mart	Retail	894
Central Square Central School District	Education	756
Novelis Corporation	Aluminum Products	712
Oswego City School District	Education	703
Fulton City School District	Education	689
Oswego County Opportunities	Human Services	654
Entergy Corp.	Utility	615
Huntamaki	Packaging	584
Mexico Central School District	Education	471
Phoenix Central School District	Education	387
Oswego County BOCES	Education	331

Source: District Officials

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is Oswego County. The data set forth below with respect to the County is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the School District is necessarily representative of the County or vice versa.

Year	Oswego County Unemployment Rate	New York State Unemployment Rate	U.S. Unemployment Rate
2012	11.0%	8.5%	8.1%
2013	9.8%	7.7%	7.4%
2014	8.0%	6.3%	6.2%
2015	7.2%	5.3%	5.3%
2016	6.4%	4.8%	4.9%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted)

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either, a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

The District policy does not permit the District to enter into reverse repurchase agreements or make other derivative type investments.

Form of School Government

The Board of Education is the policy-making body of the District and consists of seven members with overlapping three-year terms so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the District. The President and the Vice President are selected by the Board members.

The administrative officers of the District implement the policies of the Board of Education and supervise the operation of the school system.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education of the School District annually prepares, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the School District must mail a school budget notice to all qualified voters which contains the total budgeted amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the budget vote. After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified School District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 of the State of New York ("Chapter 97"), beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the " Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "Tax Levy Limitation Law" herein.

The State's 2018-19 Enacted Budget includes a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget ("DOB") in consultation with SED. In 2019-20, this requirement will expand to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district's school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district's State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to "cure" the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district. [Under this newly enacted legislation, the School District will be required to annually report its budgeted support for individual schools beginning with the 2020-21 fiscal year.

The budget for the District's 2016-2017 fiscal year was approved by the qualified voters of the District on May 17, 2016 with a vote of 670 to 212.

The budget for the 2017-18 fiscal year was adopted by the qualified voters on May 16, 2017 by a vote of 569 to 290. The School District's 2017-18 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 561 to 178. The School District's 2018-19 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2017-18 fiscal year, approximately 56.29% of the revenues of the School District are estimated to be received in the form of State aid. If the State should experience difficulty borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, should the State budget not be adopted in a timely manner, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the School District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

The State's 2011-12 Budget included school aid of $19.6 billion. This reflected a reduction of $1.3 billion or 6.1% from the State's 2010-11 Budget.

The State's 2012-13 Budget provided for school aid of approximately $20 billion, which represented an increase of approximately $751 million in State aid for school districts.

The State's 2013-14 Budget provided for school aid of approximately $21.1 billion, which represented an increase of approximately $936.6 million, or 4.4% in total school aid spending from the 2012-13 school year.

The State's 2014-15 Budget included a $1.1 billion or 5.3% increase in state aid for the 2014-15 school year. High-needs school districts received approximately 70% of the 2014-15 allocated increase. The 2014-2015 State budget restored $602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget invested $1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The State's 2015-16 Budget contained a school aid increase of $1.4 billion that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

The State's 2016-17 Budget provided for a 5.9%, or $1.35 billion, increase in State aid to school districts for school year 2016-1 7, not including grants. The State's 2016-17 Budget included an increase in Foundation Aid of $627 million, eliminated the Gap Elimination Adjustment and funded expense-based aids at $342 million. Certain school districts were required to set aside a collective total of $100 million to fund community school districts. These funds may be used only for certain purposes such as providing health, mental health and nutritional services to students and their families.

The State's 2017-18 Budget increases State aid to education by $1.1 billion, including a $700 million increase in Foundation Aid, bringing the total amount of State aid to education to $25.8 billion or an increase of 4.4%. Expense based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continues to link school aid increases for 201 7-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

The State's 2017-18 Budget allows the Governor to reduce expenditures (including aid to school districts) mid year if revenues (including, but not limited to, funding from the federal government) are less than what was expected. If federal support is reduced by $850 million or more, the Governor will develop a plan to make uniform spending reductions. Such plan would take effect automatically unless the Legislature passes its own plan within 90 days.

The State's 2018-19 Enacted Budget includes nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately $859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at $26.03 billion statewide, a 3.4% increase over the last year. The State's 2018-19 Enacted Budget includes an increase of $618 million in Foundation Aid for school districts. Foundation Aid now totals nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase will be distributed using a one year, off formula methodology. The State's 2018-19 Enacted Budget guarantees that all school districts receive an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase will be "set aside" for certain school districts to fund community schools. The State's 2018-19 Enacted Budget fully funds all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-19.

While the increases in State aid in prior years have been targeted to high-needs schools, other schools have shared in the overall increase in State aid. The School District is unable to predict whether this pattern of distribution will continue beyond that which is included in the legislation dealing with foundation aid. Increased State aid for New York City schools and other high-needs schools may result in reductions in the future of State aid to certain school districts, including the School District.

While the School District has received State aid in recent years, both the determination of the amount of State aid and the apportionment of State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the School District. The current or future financial condition of the State may affect the amount of State aid appropriated by the State Legislature and the timing of receipt of that aid by the School District.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces Federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

Fiscal Stress Monitoring

The New York State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to School District officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include June 30, 2017 year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district is in "significant fiscal stress", in "moderate fiscal stress", as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation". This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as “No Designation” (Fiscal Score: 0.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

Note: See the official website of the New York State Comptroller for more information on FSMS. Reference to websites implies no warranty of accuracy of information therein.

State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The most recent State Comptroller audit report of the District dated September 9, 2016 was to determine if District officials effectively managed the District's finances for the period July 1, 2014 through April 5, 2016.

Key Findings:

- Based on the new terms of the nuclear power plant's payment in lieu of taxes agreement, the District will receive approximately $18 million in payments over the next five years compared to the $63 million received over the previous five years.
- Based on our projections, at the conclusion of the 2019-20 fiscal year, the selected reserves and unassigned fund balance will be depleted if projected expenditure growth is not curtailed.

Key Recommendations:

- Maintain District expenditures at reasonable levels and incrementally reduce them over several budget cycles to gradually align with ongoing revenue estimates.
- Use reserve funds as intended, and fund balance when needed, to balance the budget with the understanding that these budgetary revenue sources are finite.

A copy of the complete report and the District's response can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds were issued is the Education Law and the Local Finance Law.

The District is in compliance with the procedure for the publication of the estoppel notice with respect to the Bonds as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is from July 1 to June 30.

Other than "Estimated Calculation of Overlapping Indebtedness", this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District.

Financial Statements

The School District retains an independent Certified Public Accountant, whose most recent report covers the period ended June 30, 2017 and may be found attached hereto as Appendix B

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting ("GAAFR"), published by the National Committee on Government Accounting

Tax Information

Assessed and Full Valuations

Fiscal Year Ended June 30:	2014	2015	2016	2017		2018
Assessed Valuations:						
Hastings	$ 4,317,568	$ 4,335,936	$ 4,343,453	$ 4,358,910		$ 4,345,803
Mexico	230,479,587	241,090,989	241,556,438	243,609,245		244,208,303
New Haven	136,586,639	136,254,131	137,153,078	137,670,527		155,429,357
Palermo	102,442,845	102,753,794	103,444,481	105,479,035		106,148,165
Parish	190,748	190,701	190,297	209,572		209,592
Richland	21,165,931	21,360,761	21,573,518	21,629,206		21,571,408
Scriba	653,916,241	604,255,585	604,572,468	54,431,193	(1)	56,014,868
Volney	17,308,048	17,612,930	17,805,870	17,839,918		18,523,155
Total	$ 1,166,407,607	$ 1,127,854,827	$ 1,130,639,603	$ 585,227,606		$ 606,450,651
Equalization Rates:						
Hastings	100.00%	100.00%	95.00%	93.00%		93.00%
Mexico	100.00%	100.00%	100.00%	100.00%		95.00%
New Haven	100.00%	100.00%	99.00%	97.00%		100.00%
Palermo	100.00%	100.00%	100.00%	100.00%		100.00%
Parish	106.26%	100.00%	108.82%	100.00%		100.00%
Richland	91.00%	91.00%	91.00%	89.00%		87.00%
Scriba	100.00%	100.00%	100.00%	100.00%		86.20%
Volney	91.50%	100.00%	100.00%	100.00%		100.00%
Full Valuations:						
Hastings	$ 4,317,568	$ 4,335,936	$ 4,572,056	$ 4,687,000		$ 4,672,906
Mexico	230,479,587	241,090,989	241,556,438	243,609,245		257,061,372
New Haven	136,586,639	136,254,131	138,538,463	141,928,378		155,429,357
Palermo	102,442,845	102,753,794	103,444,481	105,479,035		106,148,165
Parish	179,511	190,701	174,873	209,572		209,592
Richland	23,259,265	23,473,364	23,707,163	24,302,479		24,794,722
Scriba	653,916,241	604,255,585	604,572,468	54,431,193		64,982,445
Volney	18,915,899	17,612,930	17,805,870	17,839,918		18,523,155
Total	$ 1,170,097,555	$ 1,129,967,430	$ 1,134,371,811	$ 592,486,820		$ 631,821,714

Equalized values shown here are those used by the School District for tax levy purposes as provided in the Real Property Tax Law. In some cases, equalization rates established specifically for school tax apportionment may have been used, as is also provided in the Real Property Tax Law.

Note: 1. Significant change from previous year due to Entergy being removed from the Town's tax roll due to a PILOT agreement. Due to the sale of the Entergy Nuclear Fitzpatrick facility to the Excelon Corporation, the PILOT agreement expired in March of 2018. A new PILOT agreement is required. The district, in concert with the other municipalities affected by a new PILOT, have jointly hired a national expert in the determination of the appropriate values for such facilities to begin negotiations for a successor agreement. All meetings with Excelon officials and representatives of the affected parties have been and continue to be positive.

Tax Rate per $1,000 Assessed Value

	Fiscal Year Ending June 30:				
	2014	2015	2016	2017	2018
Hastings	$ 20.46	$ 21.99	$ 23.84	$ 24.13	$ 22.52
Mexico	20.46	21.99	22.65	22.44	22.05
New Haven	20.46	21.99	22.88	23.13	20.95
Palermo	20.46	21.99	22.65	22.44	20.95
Parish	19.26	21.99	20.81	22.44	20.95
Richland	22.48	24.16	24.89	25.21	24.07
Scriba	20.46	21.99	22.65	22.44	24.30
Volney	22.36	21.99	22.65	22.44	20.95

Tax Collection Procedure

Real property tax payments are due September 1 of each year. There is no penalty charge for the first thirty-four days after taxes are due, but a 2% penalty for the next twenty-seven days. On November 15th, uncollected taxes are returnable to the County tax enforcement officer who is required to enforce collection of such unpaid taxes. The District receives the uncollected balance of its tax levy in full from the County before the end of the school year. Responsibility for the collection of unpaid taxes rests with the County.

Tax Collection Record

Fiscal Year Ended June 30:					
	2014	2014	2015	2016	2017
Total Tax Levy	$23,719,049	$23,941,409	$24,842,526	$25,689,366	$13,308,881
Amount Uncollected (1)	1,004,996	1,127,154	1,246,860	1,353,830	1,098,843
% Uncollected	4.24%	4.71%	5.02%	5.27%	8.26%

Note 1. District taxes are made whole by the respective County. See "Tax Collection Procedure" herein.

Major Taxpayers 2017

For 2017-18 Tax Roll

Name	Type	Full Value
Niagara Mohawk dba Nat Grid	Utility	$53,385,704
Verizon New York, Inc	Utility	2,188,085
Sharkey John F III	Residential	1,449,700
Behling Real Estate LLC	Commercial	1,260,794
Geer Stephen D	Residential / Agricultural	1,223,100
1 Grand View Lane LLC	Commercial	1,200,000
Kimberly Apartments LLC	Apartments	1,084,211
Tops Portfolio LLC	Commercial	1,016,842
Dowie Robert J Jr	Recreational	1,015,842
Limestone Ridge LLC	Commercial	992,360
Total		$64,816,638

The above taxpayers represent 10.26% of the School District's 2017-18 Full value of $631,821,714

Note: See "Tax Information – Assessed and Full Valuations" herein for additional details regarding PILOT agreements

General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2017 is contained in the Appendices). As reflected in the Appendices, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost-of-living adjustment, are eligible for a "enhanced" exemption of the first $65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a $30,000 "basic" exemption on their primary residence.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-16 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-16 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State's 2017-18 Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers may also account for those changes in their State income taxes.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law will affect school district tax levies for the school district fiscal year beginning July 1, 2012. The Law expires on June 15, 2020 unless extended.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

The Tax Levy Limit Law requires that a school district hereafter submit its proposed tax levy (not its proposed budget) to the voters each year, and imposes a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the CPI, as described in the Law. Tax levies that do not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a tax levy in excess of the limit. In the event the voters reject the tax levy, the school district's tax levy for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year, without any stated exceptions.

There are exceptions for school districts to the tax levy limitation provided in the law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Bonds.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a Justice of the State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. After the ruling, NYSUT amended its complaint to include a challenge to the Real Property Tax Rebate, also on Federal and State constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. On May 5, 2016, the dismissal was upheld by the New York Supreme Court, Appellate Division, Third Judicial Department, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Credit Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved "government efficiency plan" which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 20162019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received $130, and eligible taxpayers who resided outside the MCTD received $185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law.

Status of Indebtedness

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment maybe more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit the District has the power to contract indebtedness for any school district purpose so long as the principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions. The constitutional method for determining full valuation by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or

(2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations

and an action contesting such validity, is commenced within twenty days after the date of such publication or,

(3) Such obligations are authorized in violation of the provisions of the Constitution.

The Board of Education, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Except on rare occasions, the District complies with this estoppel procedure, and it has done so with respect to the bond resolution under which the Bonds are being issued. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Statutory law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are mad in reduction of the total amount of such notes outstanding, commencing no late than 2 years from the date of the first issuance of such notes and provided that such renewal issues do not extend (generally) more than 5 years beyond the original date of borrowing.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short term general obligation indebtedness including revenue, tax anticipation, budget and capital notes.

Status of Indebtedness

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017
Serial Bonds	$ 18,425,000	$ 20,740,000	$ 19,250,000	$ 17,583,507	$ 23,630,000
Bond Anticipation Notes	9,331,146	10,677,420	10,190,000	19,180,000	15,000,000
Energy Performance Contracts	3,880,000	3,580,000	3,270,000	2,945,000	2,605,000
Total Debt Outstanding	$ 31,636,146	$ 34,997,420	$ 32,710,000	$ 39,708,507	$ 41,235,000

Status of Outstanding Bond Issues

Year of Issue:	2007		2012	
Amount Issued:	$501,532		$4,325,000	
Purpose/Instrument:	Construction/Serial Bond		Refunding/ Refunding Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest	Principal	Interest
2018	$ 35,000	$ 9,314	$ 745,000	$ 14,900
2019	40,000	7,720	-	-
2020	40,000	6,010	-	-
2021	40,000	4,270	-	-
2022	45,000	2,378	-	-
2023	30,000	683	-	-
Totals:	$ 230,000	$ 30,375	$ 745,000	$ 14,900

Year of Issue:	2012		2013	
Amount Issued:	$13,650,000		$3,875,736	
Purpose/Instrument:	Construction/DASNY Serial Bond		BOCES Construction/ Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest	Principal	Interest
2018	$ 860,000	$ 468,663	$ 230,000	$ 101,825
2019	900,000	425,663	235,000	96,075
2020	945,000	380,663	245,000	90,200
2021	995,000	333,413	250,000	84,075
2022	1,045,000	283,663	260,000	76,575
2023	1,095,000	231,413	265,000	67,475
2024	1,150,000	176,663	275,000	58,200
2025	1,210,000	119,163	285,000	47,888
2026	1,040,000	58,663	300,000	37,200
2027	845,000	27,463	310,000	25,200
2028	-	-	320,000	12,800
Totals:	$ 10,085,000	$ 2,505,430	$ 2,975,000	$ 697,513

Year of Issue:	2016		2012	
Amount Issued:	$7,950,000		$430,000	
Purpose/Instrument:	Construction/DASNY Bond		Buses/Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest	Principal	Interest
2018	$ 415,000	$ 386,800	$ 90,000	$ 788
2019	440,000	370,200	-	-
2020	460,000	348,200	-	-
2021	485,000	325,200	-	-
2022	505,000	300,950	-	-
2023	535,000	275,700	-	-
2024	560,000	248,950	-	-
2025	590,000	220,950	-	-
2026	615,000	191,450	-	-
2027	640,000	167,000	-	-
2028	675,000	135,000	-	-
2029	705,000	101,250	-	-
2030	645,000	66,000	-	-
2031	675,000	33,750	-	-
Totals:	$ 7,945,000	$ 3,171,400	$ 90,000	$ 788

Year of Issue:	2013		2014	
Amount Issued:	$550,000		$665,000	
Purpose/Instrument:	Buses/Serial Bond		Buses/Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest	Principal	Interest
2018	$ 115,000	$ 3,450	$ 135,000	$ 5,651
2019	115,000	1,150	135,000	3,424
2020	-	-	140,000	1,155
Totals:	$ 230,000	$ 4,600	$ 410,000	$ 10,230

Year of Issue:	2015		2016	
Amount Issued:	$583,506		$665,000	
Purpose/Instrument:	Buses/Serial Bond		Buses/Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest	Principal	Interest
2018	$ 115,000	$ 7,013	$ 80,000	$ 8,974
2019	120,000	5,175	90,000	4,864
2020	120,000	3,150	90,000	3,496
2021	120,000	1,050	90,000	2,128
2022	-	-	95,000	722
Totals:	$ 475,000	$ 16,388	$ 445,000	$ 20,184

Year of Issue:	2017	
Amount Issued:	$683,637	
Purpose/Instrument:	Buses/Serial Bond	
Fiscal Year Ending June 30:	Principal	Interest
2018	$ -	$ -
2019	123,637	16,211
2020	135,000	9,072
2021	140,000	6,539
2022	140,000	3,960
2023	145,000	1,335
Totals:	$ 683,637	$ 37,118

Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	Principal	Interest	Total Debt Service	%Paid
2018	$ 2,820,000	$ 1,007,378	$ 3,827,378	12.42%
2019	2,198,637	930,482	3,129,119	22.57%
2020	2,175,000	841,946	3,016,946	32.36%
2021	2,120,000	756,675	2,876,675	41.69%
2022	2,090,000	668,248	2,758,248	50.64%
2023	2,070,000	576,606	2,646,606	59.23%
2024	1,985,000	483,813	2,468,813	67.24%
2025	2,085,000	388,001	2,473,001	75.26%
2026	1,955,000	287,313	2,242,313	82.53%
2027	1,795,000	219,663	2,014,663	89.07%
2028	995,000	147,800	1,142,800	92.78%
2029	705,000	101,250	806,250	95.39%
2030	645,000	66,000	711,000	97.70%
2031	675,000	33,750	708,750	100.00%
Totals:	$ 24,313,637	$ 6,508,926	$ 30,822,563	

Schedule of Principal Payments – Outstanding and Proposed Bonds

Fiscal Year Ending June 30:	Prior Issues	This issue	Total Maturing Principal	Year-End Outstanding Principal
2018	$ 2,820,000	$ -	$ 2,820,000	$ 39,218,637
2019	2,198,637	985,000	3,183,637	36,035,000
2020	2,175,000	1,075,000	3,250,000	32,785,000
2021	2,120,000	1,090,000	3,210,000	29,575,000
2022	2,090,000	1,110,000	3,200,000	26,375,000
2023	2,070,000	1,130,000	3,200,000	23,175,000
2024	1,985,000	1,160,000	3,145,000	20,030,000
2025	2,085,000	1,200,000	3,285,000	16,745,000
2026	1,955,000	1,240,000	3,195,000	13,550,000
2027	1,795,000	1,270,000	3,065,000	10,485,000
2028	995,000	1,320,000	2,315,000	8,170,000
2029	705,000	1,355,000	2,060,000	6,110,000
2030	645,000	1,405,000	2,050,000	4,060,000
2031	675,000	1,455,000	2,130,000	1,930,000
2032	-	1,205,000	1,205,000	725,000
2033	-	725,000	725,000	-
Totals:	$ 24,313,637	$ 17,725,000	$ 42,038,637	

Status of Short-Term Indebtedness

Bond Anticipation Notes	Dated	Maturity Date	Interest Rate	Amount Outstanding [1]
Building	07/13/2017	6/29/2018	2.25%	$ 18,865,000

Note: 1. To be paid in full at maturity with proceeds of the Bond

Cash Flow Borrowings

The District issued revenue anticipation notes for the 2003-2004 fiscal year. No further revenue anticipation notes have since been issued for the District, and do not anticipate doing so in foreseeable future.

Capital Project Plans

On May 21, 2013, the District voters authorized a capital project for $21,090,076 for the reconstruction of District facilities. The issuance of the Bonds will allow for the redemption of an $18,865,000 outstanding bond anticipation note of the District that matures on June 29, 2018. The remaining $2,090,076 will be funded with available funds of the District.

There are presently no other capital projects authorized and unissued by the District, nor are any contemplated.

Capital Lease Obligations

The District has entered into an Energy Performance Contract to complete necessary energy upgrades in many of District buildings. The total principal amount of the lease was $5,010,015 and was issued at a rate of 4.17% and payments are due September 30th. The District anticipates receiving approximately 77% of the cost in State Aid with the remaining amount being paid by the energy cost savings. The remaining payments under this agreement are as follows:

Year Ending June 30th	Principal Due 9/30	Interest	Total
2019	$ 365,000	$ 94,033	$ 459,033
2020	380,000	78,813	458,813
2021	400,000	62,967	462,967
2022	415,000	16,287	431,287
2023	430,000	28,981	458,981
2024	265,000	11,050	276,050
Total	$ 2,255,000	$ 292,131	$ 2,547,131

Note: Lease payments are not counted against the debt limit

Source: Audited financial statements of the District

Building Aid Estimate

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. The District has not applied for such estimate, but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 87.7%

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, a new "assumed amortization" payout schedule for future State building aid payments based on an annual "average interest rate" and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the School District will receive in relation to its outstanding debt. See "State Aid" herein.

Debt Statement Summary

Town	Taxable Assessed Valuation	State Equalization Rate	Taxable Full Valuation
Hastings	$ 4,345,803	93.00%	$ 4,672,906
Mexico	244,208,303	95.00%	257,061,372
New Haven	155,429,357	100.00%	155,429,357
Palermo	106,148,165	100.00%	106,148,165
Parish	209,592	100.00%	209,592
Richland	21,571,408	87.00%	24,794,722
Scriba	56,014,868	86.20%	64,982,445
Volney	18,523,155	100.00%	18,523,155
Total			$ 631,821,714
Debt Limit: 10% of Full Valuation			$ 63,182,171
Inclusions:			
Serial Bonds			$ 23,743,637
Bond Anticipation Notes			18,865,000
Total Inclusions:			$ 42,608,637
Exclusions:			
Building Aid Estimate [1]			$0
Total Exclusions:			$0
Total Net Indebtedness			$ 42,608,637
Net Debt Contracting Margin			$ 20,573,534
Percentage of Debt-Contracting Power Exhausted			67.43%

Notes: 1. Pursuant to the provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing building debt. Since the Gross Indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate and therefore is not permitted to deduct Estimated Building Aid

Estimated Overlapping Indebtedness

Overlapping Unit	Applicable Equalized Value	Percent	Gross Indebtedness [1]	Exclusions	Net Indebtedness	Estimated Applicable Overlapping Indebtedness
Oswego	$ 631,821,714					
County	$ 5,806,604,460	10.88%	$ 11,643,491	N/A	$ 11,643,491	$ 1,266,938
Town of	$ 4,672,906					
Hastings	$ 454,673,161	1.03%	$ 19,322,569	N/A	$ 19,322,569	$ 198,588
Town of	$ 257,061,372					
Mexico	$ 257,061,372	100.000%	$ 12,639,020	N/A	$ 12,639,020	$ 12,639,020
Town of	$ 155,429,357					
New Haven	$ 155,429,357	100.00%	$ 11,528,926	N/A	$ 11,528,926	$ 11,528,926
Town of	$ 106,148,165					
Palermo	$ 139,940,290	75.85%	$ -	N/A	$ -	$ -
Town of	$ 209,592					
Parish	$ 111,736,961	0.19%	$ 150,000	N/A	$ 150,000	$ 281
Town of	$ 24,794,722					
Richland	$ 301,924,529	8.212%	$ 10,023,761	N/A	$ 10,023,761	$ 823,174
Town of	$ 64,982,445					
Scriba	$ 857,870,252	7.57%	$ 12,394,833	N/A	$ 12,394,833	$ 938,891
Town of	$ 18,523,155					
Volney	$ 267,616,761	6.92%	$ 12,626,392	N/A	$ 12,626,392	$ 873,939
Village of	$ 63,374,584					
Mexico	$ 63,374,584	100.00%	$ 1,601,414	N/A	$ 1,601,414	$ 1,601,414
Total						$ 29,871,171

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2016

Notes: Bonds and Bond Anticipation notes as of 2016 fiscal year. Not adjusted to include subsequent bond and note sales

N/A Information not available from source document

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of May 16, 2018:

	Amount	Per Capita (a)	Percentage of Full Value (b)
Net Indebtedness	$ 42,608,637	$ 3,526.91	6.743%
Net Indebtedness Plus Net Overlapping Indebtedness	$ 72,479,808	$ 5,999.49	11.406%

(a) The District's estimated population is 12,081 (Source: 2015 U.S. Census Bureau estimate)

(b) The District's full valuation of taxable real estate for 2017-18 is $631,821,174

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects**.**

Special Provisions Affecting Remedies Upon Default

In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for the school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district’s contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforces payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgement or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centrum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgement, although judicial mandates have been issued to officials to appropriate and pay judgements our of certain funds or the District may not be enforced to levy and execution against property owned by the School District.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such a as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization or any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of an interest on indebtedness of every county, city, town. Village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The Fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuations of essential public services prior to the payment of debt service.

No Past Due Debt. No principal of or interest on School District indebtedness is past due. The School has never defaulted in the payment of the principal of and interest on any indebtedness.

Market And Risk Factors

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial and economic condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriations for State aid to school districts will be continued in futures years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timelines of such payments may also be affected by a delay in the adoption of the State budget and other circumstances, including state fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the market price of the Bonds.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Bonds, or tax status of interest on the Bonds.

Continuing Disclosure

In order to assist the purchases in complying with Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into a Continuing Disclosure Undertaking, a description of which is attached hereto as "Appendix D".

The District is in compliance in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

Tax Matters

In the opinion of Trespasz & Marquardt, LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX – C" hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Bonds being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or the City of New York, from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage and Use of Proceeds Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Legal Matters

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinions of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York to the effect that the Bonds are valid and legally binding obligations of the District, that all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon without limitations as to rate or amount, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purpose of the federal alternative minimum tax impose on individuals and that interest on the Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof, including The City of New York. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant to comply with all such requirements, Failure to comply with all such requirements may cause interest of the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Such opinion will state that (a) the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity; (b) Bond Counsel expresses no opinion as to the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds; and (c) such opinion is given as of its dated date and that Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstance that may thereafter come to their attention or ant changes in law that may occur thereafter.

The proposed form of such opinion is attached hereto as Appendix C

Litigation

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin sale or delivery of the Bonds or the levy and collection of taxes of assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceeding or authority of the District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the District.

Bond Rating

The School District has applied to Moody's Investors Service, Inc., for a rating for this issue.

Municipal Advisor

R.G. Timbs, Inc.is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

Miscellaneous

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in the Official Statement and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties , and which are based on the District management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the repositories. When used in District document or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York, Bond Counsel to the District, expresses no opinion as to the accuracy or completeness of information in any document prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the Sate and various State and federal laws are only brief outlines of certain provisions thereof and do purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstance under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the Bonds by the District and may not be reproduced or used in whole or in part for any other purpose.

R.G. Timbs, Inc. may place a copy of this Official Statement on its website at www.RGTimbsInc.net. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. R.G. Timbs, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website

The School District's contact information is as follows: John McKeown, School Business Administrator, Phone (315) 963-8400, email JMcKeown@mexicocsd.org

Mexico Central School District

Dated: May 21, 2018
Mexico, New York

James Emery
President of Board of Education
And Chief Fiscal Officer

<u>APPENDIX A</u>

Financial Information

General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017	Budget 2018	
Beginning Fund Balance - July 1	$27,178,919	$30,645,303	$32,380,186	$34,359,809	$38,259,429	$37,643,141	E
Revenues:							
Real Property Taxes	$21,457,918	$21,638,600	$22,574,379	$23,339,744	$10,894,441	$10,888,881	
Other Tax Items	2,296,343	2,342,080	2,309,476	2,390,588	10,229,360	10,250,000	
Charges for Services	36,363	107,142	137,999	208,300	121,531	22,500	
Use of Money & Property	121,618	62,375	66,941	48,306	63,334	50,500	
Sale of Property/Comp. for Loss	28,363	32,931	36,610	11,435	14,615	1,500	
Miscellaneous	415,012	1,056,189	967,406	746,851	786,387	350,000	
State Aid	23,835,143	25,332,294	25,415,259	26,416,069	28,655,114	30,254,996	
Federal Aid	205,164	88,115	90,069	138,054	98,118	100,000	
Interfund Transfer	116,099	113,063	112,526	113,809	122,170	100,000	
Total Revenues	$48,512,023	$50,772,789	$51,710,665	$53,413,156	$50,985,070	$52,018,377	
Expenditures:							
General Support	$5,842,404	$6,777,937	$6,918,375	$7,155,082	$5,834,968	$7,641,012	
Instruction	23,989,314	25,213,070	25,006,723	24,574,315	24,657,064	26,412,265	
Transportation	2,148,707	2,281,687	2,229,155	2,281,529	2,441,631	2,760,752	
Community Services	94,323	108,937	109,463	104,278	125,006	121,000	
Employee Benefits	9,593,821	10,884,515	11,319,082	11,120,538	10,827,012	11,335,593	
Debt Service	3,101,463	3,649,249	3,994,686	4,084,010	4,546,364	5,342,755	
Interfund Transfer	132,139	122,511	153,558	193,784	3,169,313	135,000	
Total Expenditures	$44,902,171	$49,037,906	$49,731,042	$49,513,536	$51,601,358	$53,748,377	
Adjustments	(143,468)	0	0	0	0	0	
Year End Fund Balance	$30,645,303	$32,380,186	$34,359,809	$38,259,429	$37,643,141	$35,913,141	E
Excess (Deficit) Revenues Over Expenditures	$3,609,852	$1,734,883	$1,979,623	$3,899,620	($616,288)	($1,730,000)	1

Source: Audited Annual Financial Reports and Annual Budget. This table is NOT audited.

Note: 1. Appropriated Fund Balance is planned to be used

E. Estimated

General Fund – Budget Summary

	2018-19 Adopted Budget
Revenues:	
Real Property Taxes	$10,888,881
Other Tax Items	11,657,105
Charges for Services	22,500
Use of Money & Property	50,500
Sale of Property/Comp. for Loss	1,500
Miscellaneous	700,000
State Aid	31,541,659
Federal Aid	100,000
Interfund Transfers	100000
Appropriation of Fund Balance	1,743,587
Total Revenues	$56,805,732
Expenditures:	
General Support	$7,338,538
Instruction	28,532,137
Transportation	2,879,720
Community Service	156,500
Employee Benefits	12,450,684
Debt Service	5,313,153
Interfund Transfer	135,000
Total Expenditures	$56,805,732

Source: Adopted Budget of the School District. This table is NOT audited

General Fund – Comparative Balance Sheet

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017
Assets:					
Unrestricted Cash	$5,371,677	$5,257,804	$3,206,115	$5,149,639	$6,292,277
Restricted Cash	26,484,625	28,756,381	30,547,957	34,009,087	35,508,581
Other Receivables	53,689	54,273	110,854	156,186	119,271
Due from Other Funds	516,802	661,739	2,814,825	903,203	747,025
Due from State & Federal	1,786,077	2,266,599	1,967,441	1,608,711	1,902,326
Due from Fiduciary Funds	14,154	20,000			
Total Assets	$34,227,024	$37,016,796	$38,647,192	$41,826,826	$44,569,480
Liabilities:					
Accounts Payable	$418,221	$553,407	$325,963	$181,180	$608,053
Accrued Liabilities	87,412	64,398	49,286	235,715	291,561
Due to Other Funds	340,168	336,118	22,787	52,193	3,269,744
Due to Other Governments	239,462	273,206	271,441	269,765	285,778
Due Retirement System	2,321,826	3,243,939	3,460,464	2,681,988	2,318,992
Compensated Absences	155,102	155,102	155,102	141,642	139,707
Overpayments	8,767	0	0	24	24
Unearned Revenues	10,763	10,440	2,340	4890	12,480
Total Liabilities:	$3,581,721	$4,636,610	$4,287,383	$3,567,397	$6,926,339
Fund Balances:					
Restricted	$26,484,625	$28,756,381	$30,497,305	$34,009,087	$35,508,581
Assigned	2,124,447	1,553,346	1,721,068	2,197,724	37,344
Unassigned	2,036,231	2,070,459	2,141,436	2,052,618	2,097,216
Total Fund Balance	$30,645,303	$32,380,186	$34,359,809	$38,259,429	$37,643,141
Total Liabilities and Fund Balance	$34,227,024	$37,016,796	$38,647,192	$41,826,826	$44,569,480

Source: Audited Financial Reports. This table is NOT audited.

<u>APPENDIX B</u>

Audited Financial Statements

For The Fiscal Year Ended June 30, 2017

Note: Such Financial Reports and opinions were prepared as of the date thereof and have not been reviewed and/or updated by the District's Auditors in connection with the preparation and dissemination of this official statement. Consent of the Auditors for inclusion of the Audited Financial Reports in this Official Statement has neither been requested nor obtained

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2017

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Certified Public Accountants | Business Advisors

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mexico Academy and Central School District
Mexico, 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 Mexico Academy and Central School District (the 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.

Auditor's 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 of 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 auditor's 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 entity'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 entity'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 thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, funding progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes to required supplementary information on pages 4-4i and 45-53 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 54-56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the School District's internal control over financial reporting and 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 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2017

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District follows Government Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to record an expense and liability for a portion of the actuarial accrued liability. Expenses of $2,882,687 for the current year were recognized in the District-wide financial statements. Total liability recognized at June 30, 2017 amounted to $29,537,169.

- Revenues exceeded expenses by $876,161 in 2017 as compared to 2016, when revenues exceeded expenses by $5,522,315. This difference is largely related to a significant decrease in real property taxes in 2017.

- The 2016-2017 General Fund budgeted expenditures were under spent by $2,734,013, while revenues were $1,810,079 more than estimated. However, activity in the General Fund resulted in an excess of expenditures over revenues of $616,288.

- Capital asset additions during 2017 amounted to $5,837,449 for the purchase of buses and construction and improvements to buildings.

- The overall indebtedness of the School District, in the amount of $43,688,173 at June 30, 2017 shows an increase of $2,911,518 from 2016, resulting from the issuance of serial bonds, offset by principal repayments.

- Unassigned fund balance in the General Fund showed an increase in 2017, from $2,052,618 to $2,097,216. Total fund balance in the General Fund, including restricted reserves and assigned fund balance, was $37,643,141 at June 30, 2017, compared to $38,259,429 at June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits and information related to the School District pension obligations.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net position and how it has changed. Net position - the difference between the School District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- Governmental Funds: Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.

- Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

Condensed Statement of Net Position	***Governmental Activities and Total School District***		***Total Dollar Change***
	2016	***2017***	***2016 - 2017***
Current assets	$ 10,247,913	$ 11,383,706	$ 1,135,793
Noncurrent assets	47,734,092	37,265,578	(10,468,514)
Capital assets, net	48,728,484	53,016,554	4,288,070
Total Assets	**106,710,489**	**101,665,838**	**(5,044,651)**
Pensions	5,776,029	13,363,004	7,586,975
Total Deferred Outflows of Resources	**5,776,029**	**13,363,004**	**7,586,975**
Current liabilities	26,880,287	23,350,543	(3,529,744)
Noncurrent liabilities	53,363,347	62,434,821	9,071,474
Total Liabilities	**80,243,634**	**85,785,364**	**5,541,730**
Pensions	4,625,030	749,463	(3,875,567)
Total Deferred Inflows of Resources	**4,625,030**	**749,463**	**(3,875,567)**
Net investment in capital assets	12,620,895	12,993,149	372,254
Restricted	35,700,270	37,551,662	1,851,392
Unrestricted	(20,703,311)	(22,050,796)	(1,347,485)
Total Net Position	**$ 27,617,854**	**$ 28,494,015**	**$ 876,161**

The increase in current assets reflects an increase in unrestricted cash of $1,718,863 offset by a decrease in restricted current cash of $(658,159). The decrease in noncurrent assets, deferred inflows of resources and the related increase in deferred outflows of resources is the result of a change in assumptions for the New York State Teachers Retirement System (NYSTRS) pension plan resulting in the net pension (asset) becoming a liability in the current year. Capital assets, net of depreciation increased largely as a result of an increase in capital construction projects.

Current liabilities decreased mainly due to a reduction in bond anticipation notes payable. Noncurrent liabilities increased as a result of increases in OPEB liabilities, the School District's proportionate share of the net pension liabilities, and issuance of serial bonds in the current year.

The net effect of the School District's activities resulted in a slight increase of $876,161, or 3.17%, in net position for the fiscal year ended June 30, 2017.

The analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

Changes in Net Position	***Governmental Activities and Total School District***		***Total Dollar Change***
	2016	***2017***	***2016 - 2017***
REVENUES			
Program Revenues:			
Charges for services	$ 637,866	$ 570,191	$ (67,675)
Operating grants and contributions	2,640,854	2,169,423	(471,431)
General Revenues:			
Real property taxes and tax items	25,730,332	21,123,801	(4,606,531)
State sources	26,799,771	29,047,696	2,247,925
Use of money and property	50,885	67,777	16,892
Other general revenues	725,086	801,002	75,916
Total Revenues	**56,584,794**	**53,779,890**	**(2,804,904)**
PROGRAM EXPENSES			
General support	8,534,920	7,652,231	(882,689)
Instruction	36,384,054	38,412,522	2,028,468
Pupil transportation	3,859,264	4,370,255	510,991
Community services	148,575	190,944	42,369
School lunch program	1,079,990	1,174,647	94,657
Interest on debt	1,055,676	1,103,130	47,454
Total Expenses	**51,062,479**	**52,903,729**	**1,841,250**
INCREASE IN NET POSITION	**$ 5,522,315**	**$ 876,161**	**$ (4,646,154)**

Total revenues for the School District's Governmental Activities decreased by $(2,804,904), or (4.96)%, while total expenses increased by $1,841,250, or 3.61%.

Figures 3 and *4* show the sources of revenue for 2017 and 2016.

Figure 3

Sources of Revenue for 2017

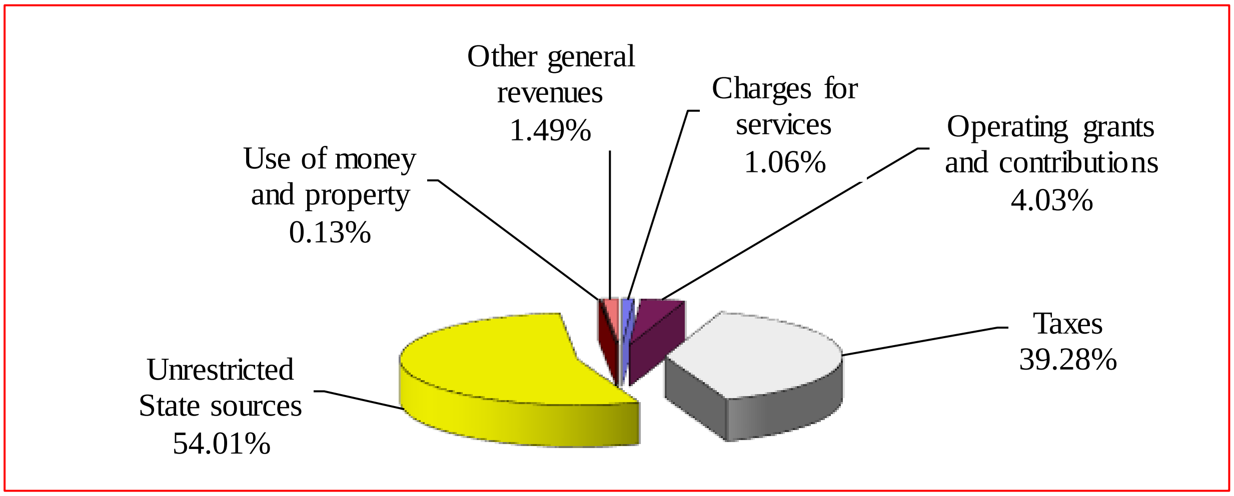
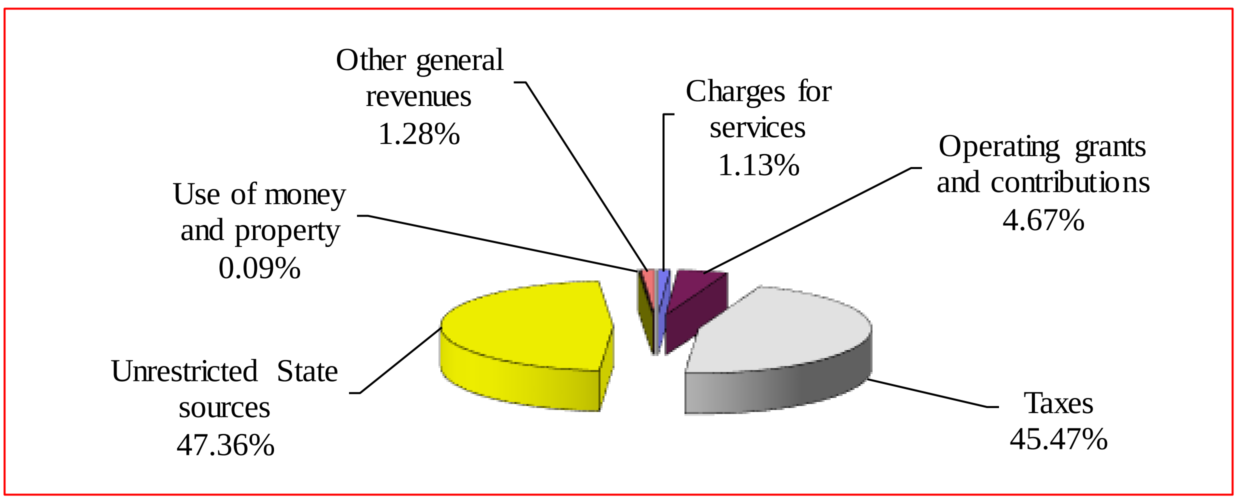


Figure 4

Sources of Revenue for 2016



Figures 5 and *6* present the cost of each of the School District's programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

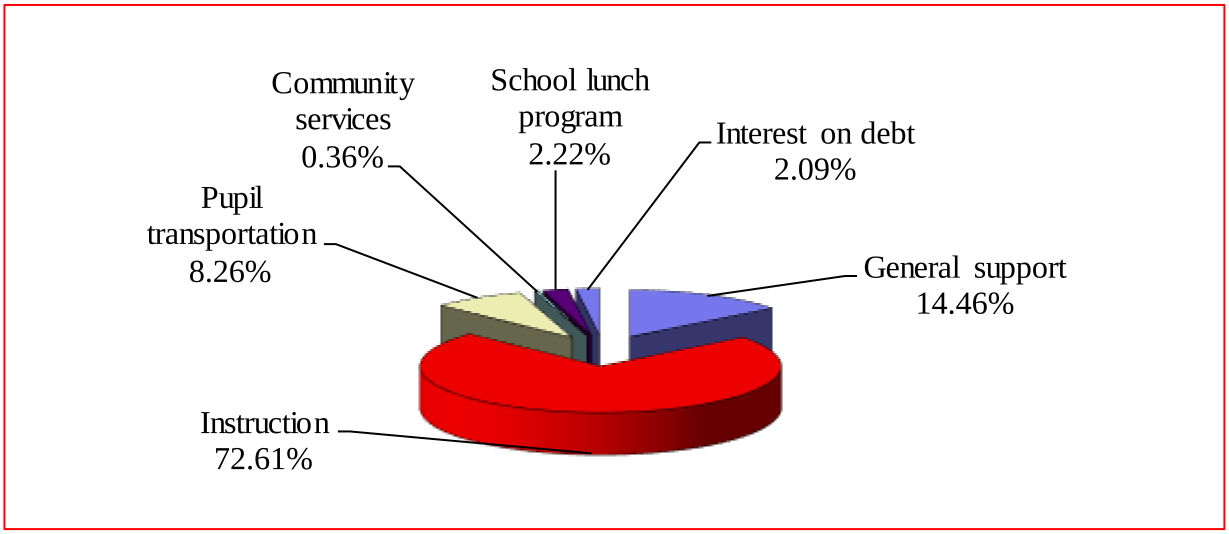
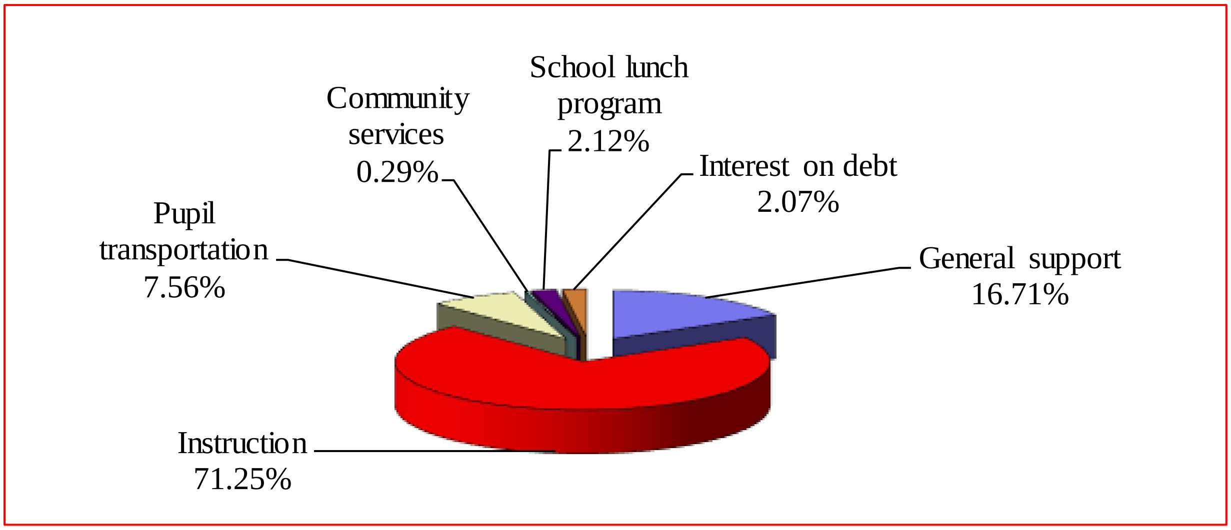


Figure 6

Cost of Programs for 2016



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in total fund balances for the year for the School District's Governmental Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined unassigned fund balance of $16,900,680 which compares to the prior year's unassigned fund balance (deficit) of $(15,658,316). This change is primarily attributable to capital project expenditures financed with short-term debt.

Figure 7

Governmental Fund Balances	*2016*	*2017*	*Total Dollar Change 2016-2017*
Major Funds:			
General Fund	$ 38,259,429	$ 37,643,141	$ (616,288)
School Lunch Fund	303,093	299,983	(3,110)
Debt Service Fund	1,691,183	1,756,997	65,814
Capital Project Fund - Construction	(17,710,934)	(10,434,714)	7,276,220
Capital Project Fund - Buses	-	23,960	23,960
Total Governmental Funds	**$ 22,542,771**	**$ 29,289,367**	**$ 6,746,596**

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Education approved budgetary transfers that revised the School District's budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2017. Additionally, the Board approved the following additions which increased the original budget:

Additions	
Supplemental appropriation for debt reduction	$ 3,000,000
Additional state aid	5,000
Gifts and donations	2,701
Net Change to Original Budget	**$ 3,007,701**

The School District recorded $1,810,079, or 3.68%, more in revenues than estimated, largely due to state revenues and local sources of $1,172,493 and $617,298 more than budgeted, respectively.

Expenditures were less than the revised budget (including encumbrances) by $2,734,013 or 5.03%. This was primarily due to lower than expected costs for salaries and employee benefits.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ended June 30, 2017.

Figure 8

Condensed Budgetary Comparison General Fund - 2017	*Original Budget*	*Revised Budget*	*Acutal w/ Encumbrances*	*Favorable (Unfavorable) Variance*
REVENUES				
Real property taxes	$ 10,888,881	$ 10,888,881	$ 10,894,441	$ 5,560
Other tax items	10,250,000	10,250,000	10,229,360	(20,640)
State sources	27,477,621	27,482,621	28,655,114	1,172,493
Federal Sources	100,000	100,000	98,118	(1,882)
Other, including financing sources	450,788	453,489	1,108,037	654,548
Total Revenues and Other Financing Sources	**49,167,290**	**49,174,991**	**50,985,070**	**1,810,079**
Appropriated Fund Balances	**2,197,724**	**5,197,724**		
EXPENDITURES				
General support	$ 7,490,404	$ 7,446,542	$ 5,837,024	1,609,518
Instruction	25,522,755	25,385,480	24,676,921	708,559
Pupil transportation	2,602,998	2,619,587	2,457,062	162,525
Community services	93,279	125,475	125,006	469
Employee benefits	11,066,255	11,061,996	10,827,012	234,984
Debt service	4,589,323	4,564,322	4,546,364	17,958
Other financing uses	-	3,169,313	3,169,313	-
Total Expenditures and Other Financing (Uses)	**$ 51,365,014**	**$ 54,372,715**	**$ 51,638,702**	**$ 2,734,013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the School District had invested in a broad range of capital assets. The net value of capital assets of $53,016,554 represents a net increase of $4,288,070 from the prior year.

Figure 9

Changes in Capital Assets	*2016*	*2017*	*Total Dollar Change 2016-2017*
Land	$ 225,039	$ 225,039	$ -
Artwork	100,000	100,000	-
Construction in progress	6,605,486	8,720,526	2,115,040
Buildings, net	37,851,287	40,218,148	2,366,861
Improvements, net	218,610	165,892	(52,718)
Equipment, net	3,728,062	3,586,949	(141,113)
Total	**$ 48,728,484**	**$ 53,016,554**	**$ 4,288,070**

Capital asset activity for the year ended June 30, 2017 included the following:	
Construction in progress	$ 2,115,040
Buses and other vehicles	433,670
Buildings	3,288,739
Total Additions	5,837,449
Less depreciation expense	(1,549,379)
Net Change in Capital Assets	**$ 4,288,070**

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, increased $2,911,518 in 2017, as shown in Figure 10. Serial bonds increased based on issuance of $8,395,000 of construction and bus bonds, offset by repayment of principal in 2017. BANs decreased based on the conversion of a portion of the prior year BAN to serial bonds. Total indebtedness represented 70.4% of the constitutional debt limit, exclusive of building aid estimates, at June 30, 2017.

Figure 10

Outstanding Debt	***Governmental Activities and Total School District***		***Total Dollar Change***
	2016	***2017***	***2016-2017***
Bond anticipation notes	$ 19,426,850	$ 15,161,425	$ (4,265,425)
Serial bonds	18,404,805	25,921,748	7,516,943
Installment purchase debt	2,945,000	2,605,000	(340,000)
Total	**$ 40,776,655**	**$ 43,688,173**	**$ 2,911,518**

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is A1 from Moody's, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Mexico Academy and Central School District ended the 2016-17 fiscal year in a strong financial position. We continue to maintain a healthy fund balance through prudent planning and management and are positioned to provide rich and varied opportunities for students well into the future. The School District has developed a strategic view of its future intended to identify requirements for instructional programs, facility maintenance, as well as providing stability in taxation, budget growth and other factors.

The School District anticipates the period ahead to be characterized by level or slightly increasing enrollment and continuity in the tax base among major tax payers and employers. In turn, staff requirements and facility demands are expected to remain at current levels.

The School District has continued to utilize shared services through Oswego County Board of Cooperative Educational Services (BOCES) and OCM BOCES for needed support. NYSED encourages school districts to share services through BOCES and therefore provides additional state aid to participating school districts.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Mexico Academy and Central School District, 16 Fravor Road, Mexico, New York 13114.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets	
Cash - Unrestricted	$ 8,030,870
Cash - Restricted	808,048
Receivables - State and federal aid	2,386,097
Receivables - Other	120,832
Inventories	37,859
Total Current Assets	11,383,706
Noncurrent assets	
Restricted cash	37,265,578
Capital assets, net:	
Land and construction in progress	9,045,565
Depreciable capital assets, net	43,970,989
Total Noncurrent Assets	90,282,132
Total Assets	101,665,838
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	13,363,004
LIABILITIES	
Current Liabilities	
Payables:	
Accounts payable	1,265,644
Accrued liabilities	315,615
Due to other governments	285,982
Bond interest and matured bonds	416,589
Due to Teachers' Retirement System	2,111,302
Due to Employees' Retirement System	229,163
Compensated absences payable	139,707
Bond anticipation notes payable	15,161,425
Overpayments and collections in advance	24
Unearned revenues	12,480
Current portion of long-term obligations	
Bonds payable	3,062,612
Installment purchase debt	350,000
Total Current Liabilities	23,350,543

See Independent Auditor's Report and Notes to Basic Financial Statements

LIABILITIES (continued)	
Noncurrent Liabilities	
Bonds payable	$ 22,859,136
Installment purchase debt	2,255,000
Compensated absences payable	4,370,374
Other postemployment benefits liabilities	29,537,169
Net pension liability - proportionate share	3,413,142
Total Noncurrent Liabilities	62,434,821
Total Liabilities	85,785,364
DEFERRED INFLOWS OF RESOURCES	
Pensions	749,463
NET POSITION	
Net investment in capital assets	12,993,149
Restricted for:	
Capital	74,618
Debt	1,756,997
Other legal restrictions	35,720,047
Unrestricted (deficit)	(22,050,796)
Total Net Position	**$ 28,494,015**

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 7,652,231	$	$	$ (7,652,231)
Instruction	38,412,522	219,649	1,430,817	(36,762,056)
Pupil transportation	4,370,255			(4,370,255)
Community services	190,944			(190,944)
School lunch program	1,174,647	350,542	738,606	(85,499)
Interest on debt	1,103,130			(1,103,130)
Total Functions and Programs	**$ 52,903,729**	**$ 570,191**	**$ 2,169,423**	(50,164,115)
	GENERAL REVENUES			
	Real property taxes			10,894,441
	Real property tax items			10,229,360
	Use of money and property			67,777
	Unrestricted state sources			29,047,696
	Sale of property and compensation for loss			14,615
	Miscellaneous			786,387
	Total General Revenues			51,040,276
	Change in Net Position			876,161
	Total Net Position - Beginning of Year			27,617,854
	Total Net Position - End of Year			**$ 28,494,015**

See Independent Auditor's Report and Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major Funds		
		Special Revenue Funds	
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	$ 6,292,277	$ 148,372	$ 36,886
Cash - Restricted	35,508,581		118,280
Receivables:			
Due from other funds	747,025		92,859
State and federal aid	1,902,326	433,555	50,216
Other	119,271	792	769
Inventories			37,859
Total Assets	**$ 44,569,480**	**$ 582,719**	**$ 336,869**
LIABILITIES			
Payables:			
Accounts payable	$ 608,053	$ 3,640	$ 94
Accrued liabilities	291,561	8,939	15,115
Due to other funds	3,269,744	570,140	
Due to other governments	285,778		204
Due to Teachers' Retirement System	2,111,302		
Due to Employees' Retirement System	207,690		21,473
Compensated absences	139,707		
Bond anticipation notes payable	-		
Overpayments and collections in advance	24		
Unearned revenues	12,480		
Total Liabilities	6,926,339	582,719	36,886
FUND BALANCES			
Nonspendable			37,859
Restricted	35,508,581		262,124
Assigned	37,344		
Unassigned	2,097,216		
Total Fund Balances	37,643,141	-	299,983
Total Liabilities and Fund Balances	**$ 44,569,480**	**$ 582,719**	**$ 336,869**

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Capital Fund - Buses	Capital Fund - Construction	Debt Service Fund	Total Governmental Funds
$	$ 1,553,335	$	$ 8,030,870
23,960	831,902	1,590,903	38,073,626
	3,000,000	166,094	4,005,978
			2,386,097
			120,832
			37,859
$ 23,960	**$ 5,385,237**	**$ 1,756,997**	**$ 52,655,262**
$	$ 653,857	$	$ 1,265,644
			315,615
	166,094		4,005,978
			285,982
			2,111,302
			229,163
			139,707
	15,000,000		15,000,000
			24
			12,480
-	15,819,951	-	23,365,895
			37,859
23,960		1,756,997	37,551,662
			37,344
	(10,434,714)		(8,337,498)
23,960	(10,434,714)	1,756,997	29,289,367
$ 23,960	**$ 5,385,237**	**$ 1,756,997**	**$ 52,655,262**

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Fund Balances - Total Governmental Funds		**$ 29,289,367**
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in Governmental Activities, are not financial resources and, therefore, are not reported in the funds.		
Total historical cost	$ 78,075,576	
Less accumulated depreciation	(25,059,022)	53,016,554
The School District's proportion of the collective net pension (asset) liability is not reported in the funds.		
TRS net pension liability - Proportionate share	$ (1,235,837)	
ERS net pension liability - Proportionate share	(2,177,305)	(3,413,142)
Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.		
ERS deferred outflows - Pension	$ 1,457,606	
TRS deferred outflows - Pension	11,905,398	
ERS deferred inflows - Pension	(326,030)	
TRS deferred inflows - Pension	(423,433)	12,613,541
Long-term liabilities, including bonds payable, and installment purchase debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	$ (25,921,748)	
Installment purchase debt	(2,605,000)	(28,526,748)
Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.		
Premiums on obligations	$ (161,425)	
Compensated absences	(4,370,374)	
Other postemployment benefits liability	(29,537,169)	
Accrued interest on long-term debt	(416,589)	(34,485,557)
Net Position of Governmental Activities		**$ 28,494,015**

See Independent Auditor's Report and Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		
		Special Revenue Funds	
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	$ 10,894,441	$	$
Real property tax items	10,229,360		
Charges for services	121,531		
Use of money and property	63,334		54
Sale of property and compensation for loss	14,615		
Miscellaneous	786,387		74,598
State sources	28,655,114	626,358	22,344
Federal sources	98,118	1,197,041	644,499
Surplus food			71,763
Sales - School lunch			275,944
Total Revenues	50,862,900	1,823,399	1,089,202
EXPENDITURES			
General support	5,834,968		
Instruction	24,657,064	1,839,440	509,976
Pupil transportation	2,441,631	131,102	
Community services	125,006		
Employee benefits	10,827,012		259,123
Debt service:			
Principal	2,863,506		
Interest	1,682,858		
Cost of sales			323,213
Capital outlay			
Total Expenditures	48,432,045	1,970,542	1,092,312
Excess (Deficiency) of Revenues Over Expenditures	2,430,855	(147,143)	(3,110)
OTHER FINANCING SOURCES AND (USES)			
BANs redeemed from appropriations			
Premiums on obligations			
Proceeds of obligations			
Operating transfers in	122,170	169,313	
Operating transfers (out)	(3,169,313)	(22,170)	
Total Other Sources and (Uses)	(3,047,143)	147,143	-
Net Change in Fund Balances	(616,288)	-	(3,110)
Fund Balances - Beginning of Year	38,259,429	-	303,093
Fund Balances - End of Year	**$ 37,643,141**	**$ -**	**$ 299,983**

See Independent Auditor's Report and Notes to Basic Financial Statements

Capital Fund - Buses	Capital Fund - Construction	Debt Service Fund	Total Governmental Funds
Major Funds			
$	$	$	$ 10,894,441
			10,229,360
			121,531
		4,389	67,777
			14,615
			860,985
			29,303,816
			1,939,658
			71,763
			275,944
-	-	4,389	53,779,890
		169,228	6,004,196
			27,006,480
			2,572,733
			125,006
			11,086,135
		1,555,000	4,418,506
			1,682,858
			323,213
421,040	5,403,780		5,824,820
421,040	5,403,780	1,724,228	59,043,947
(421,040)	(5,403,780)	(1,719,839)	(5,264,057)
	1,730,000		1,730,000
		1,885,653	1,885,653
445,000	7,950,000		8,395,000
	3,000,000		3,291,483
		(100,000)	(3,291,483)
445,000	12,680,000	1,785,653	12,010,653
23,960	7,276,220	65,814	6,746,596
	(17,710,934)	1,691,183	22,542,771
$ 23,960	**$ (10,434,714)**	**$ 1,756,997**	**$ 29,289,367**

RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds			**$**	**6,746,596**
Amounts reported for Governmental Activities in the Statement of Activities are different because:				
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
Capital outlay	$	5,837,449		
Depreciation expense		(1,549,379)		4,288,070
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.				
Bonds issued	$	(8,395,000)		
Premiums on obligations		(1,885,653)		
Principal payments		2,688,506		(7,592,147)
Changes in the School District's proportionate share of net pension obligations have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.				
ERS	$	(383,875)		
TRS		(51,638)		(435,513)
Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Funds.				
Long-term compensated absences	$	172,114		
Other postemployment benefits liability		(2,882,687)		(2,710,573)
Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in Governmental Funds.				
Amortization of premiums on obligations	$	500,629		
Net change in accrued interest payable		79,099		579,728
Net Change in Net Position of Governmental Activities			**$**	**876,161**

See Independent Auditor's Report and Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash - Unrestricted	$	$ 85,273
Cash - Restricted	118,173	20,048
Investments - Restricted	1,162	
Accounts receivable	1,112	1,529
Employee overpayments		631
Total Assets	120,447	**$ 107,481**
LIABILITIES		
Extraclassroom activity balances		$ 54,302
Other liabilities	6,435	53,179
Total Liabilities	6,435	**$ 107,481**
RESTRICTED NET POSITION	**$ 114,012**	

See Independent Auditor's Report and Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$ 3,250
Interest and earnings	37
Total Additions	3,287
DEDUCTIONS	
Scholarships and awards	4,065
Change in Net Position	(778)
Net Position - Beginning of Year	114,790
Net Position - End of Year	**$ 114,012**

See Independent Auditor's Report and Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

The accompanying financial statements of Mexico Academy and Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units,” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus.”

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District’s fiduciary responsibility in relation to the Funds, they are reported in the School District’s Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 16 Fravor Road, Mexico, New York, 13114.

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

Joint Venture

The School District is one of nine component school districts in the Oswego County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law.

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Basis of Presentation - Governmental Fund Financial Statements
The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- General Fund: The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.

- Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

    - Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for special educational programs.

    - School Lunch Fund: Accounts for revenues and expenditures in connection with the School District's food service program.

- Debt Service Fund: Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.

- Capital Fund - Construction: Accounts for the financial resources used for capital construction.

- Capital Fund - Buses: Accounts for the financial resources used to purchase school buses.

Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

Note 1 Summary of Significant Accounting Policies - Continued

Basis of Presentation - Governmental Fund Financial Statements - Continued

- Agency Fund: Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

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

Accounts Receivable
Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds
Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

Inventories and Prepaid Items
Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Nonspendable fund balances associated with these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets
Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 50,000	50 years
Building improvements	50,000	50 years
Site improvements	25,000	15-25 years
Furniture and equipment	5,000	5-15 years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

Vested Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

School District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, “Accounting for Compensated Absences,” the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

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

Other Postemployment Benefits
School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postretirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

Deferred Outflows and Deferred Inflows of Resources
In addition to assets, the Statement of Net Position reports 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. The School District reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 9.

In addition to liabilities, the Statement of Net Position reports 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(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions which are further described in Note 9.

Unearned and Unavailable Revenues
Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report unavailable revenues as a deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable revenues is removed and revenues are recorded.

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

Overpayments and Collections in Advance
Overpayments and collections in advance arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability is removed and revenues are recorded.

Restricted Resources
When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

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

Equity Classifications - Governmental Fund Financial Statements
Fund balance is broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets 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 endowments principal.

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

Equity Classifications - Governmental Fund Financial Statements - Continued

- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.

- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

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

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

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. The Board of Education has not authorized anyone to assign fund balance. The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

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

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. Except for the Encumbrance Reserve, these reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Reserves currently in use by the School District include the following:

- Unemployment Insurance Reserve (GML §6-m): Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

- Tax Certiorari Reserve (Education Law §3651.1-a): Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

- Liability Reserve (Education Law §1709(8-c): Used to reserve funds for the payment of potential property loss and liability claims. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

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

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651): Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.

- Nuclear Facility Tax Stabilization Reserve (Chapter 202 of the Laws of 2001): Used to reserve funds to provide tax stability to municipalities where a nuclear-powered electricity generating facility is located. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other funds as may be legally appropriated to the extent annual tax payments or payments in lieu of taxes attributable to such facility and paid to the School District exceed the base nuclear facility taxes received by the School District in the year preceding the establishment of the reserve. Expenditures may be made from this fund to lessen or prevent any projected increase in the amount of the real property tax levy needed to finance the eligible portion of the annual budget for the next succeeding fiscal year as disclosed in the annual school budget that is presented to the voters for approval. This reserve is accounted for in the General Fund.

- Mandatory Reserve for Debt Service (GML §6-l): Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Property Taxes
Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 11, 2016. Taxes were collected during the period September 1 to October 31, 2016.

Uncollected real property taxes are subsequently enforced by the County of Oswego. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the following April 1.

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

Interfund Transfers
The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

New Accounting Standards
The District has adopted and implemented the following (all) current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017:

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Future Changes in Accounting Standards

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.

- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.

- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.

- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 2 **Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES aid amounted to $2,183,403. The School District was billed $7,120,820 for BOCES administration and program costs. Financial statements for Oswego County BOCES are available from the BOCES Administrative Office at 179 County Route 64, Mexico, New York 13114.

Note 3 **Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks**

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. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. 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 or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Note 3 **Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued**

The School District's aggregate bank balances of $47,442,250 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash of the School District's Governmental and Private Purpose Trust Funds at June 30, 2017 consisted of the following:

General Fund Reserves	$	35,508,581
Restricted for school lunch		118,280
Restricted for debt		1,756,997
Unspent debt proceeds		689,768
Total	**$**	**38,073,626**
Private Purpose Trust Fund	**$**	**118,173**

Note 4 **Interfund Balances and Activity**

Interfund balances at June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	$ 747,025	$ 3,269,744	$ 122,170	$ 3,169,313
Special Aid Fund		570,140	169,313	22,170
School Lunch Fund	92,859			
Capital Fund - Construction	3,000,000	166,094	3,000,000	
Debt Service	166,094			100,000
Total	**$ 4,005,978**	**$ 4,005,978**	**$ 3,291,483**	**$ 3,291,483**

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

Governmental Activities	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Capital assets that are not depreciated:				
Land	$ 225,039	$	$	$ 225,039
Artwork	100,000			100,000
Construction in progress	6,605,486	5,403,779	(3,288,739)	8,720,526
Total Nondepreciable Historical Cost	6,930,525	5,403,779	(3,288,739)	9,045,565
Capital assets that are depreciated:				
Buildings	53,763,703		3,288,739	57,052,442
Improvements	1,589,996			1,589,996
Furniture and equipment	10,198,690	433,670	(244,787)	10,387,573
Total Depreciable Historical Cost	65,552,389	433,670	3,043,952	69,030,011
Total Historical Cost	72,482,914	5,837,449	(244,787)	78,075,576
Less accumulated depreciation:				
Buildings	(15,912,416)	(921,878)		(16,834,294)
Improvements	(1,371,386)	(52,718)		(1,424,104)
Furniture and equipment	(6,470,628)	(574,783)	244,787	(6,800,624)
Total Accumulated Depreciation	(23,754,430)	(1,549,379)	244,787	(25,059,022)
Total Historical Cost, Net	**$ 48,728,484**	**$ 4,288,070**	**$ -**	**$ 53,016,554**

Depreciation expense was charged to governmental functions as follows:

General support	$ 174,750
Instruction	807,939
Pupil transportations	543,338
School lunch program	23,352
Total Depreciation Expense	**$ 1,549,379**

Note 6 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue or redeem any budget notes during the year.

Note 6 **Short-term Debt - Continued**

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The following is a summary of the School District's Bond Anticipation Notes payable for the year ended June 30, 2017:

Description of Issue	Issue Date	Final Maturity	Interest Rate		Outstanding June 30, 2017
BANs - Construction	7/14/2016	7/14/2017	2.00%	$	15,000,000
Add: premiums					161,425
Total				**$**	**15,161,425**

Transactions in short-term debt for the year are summarized below:

		Beginning Balance		Issued		Refinanced/ Redeemed		Ending Balance
BANs	$	19,180,000	$	15,000,000	$	(19,180,000)	$	15,000,000
Premiums		246,850		161,425		(246,850)		161,425
Total	**$**	**19,426,850**	**$**	**15,161,425**	**$**	**(19,426,850)**	**$**	**15,161,425**

Interest expense on short-term debt during the year was comprised of:

Interest paid	$	382,534
Less amortization of premiums		(246,850)
Less interest accrued in the prior year		(361,530)
Plus interest accrued in the current year		284,384
Total	**$**	**58,538**

Note 7 **Long-Term Debt**

At June 30, 2017, the total outstanding indebtedness of the School District represented 70.4 % of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds: The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

- Installment Purchase Debt: During the year ended June 30, 2008, the School District entered into an installment purchase agreement for an energy performance contract.

Note 7 **Long-Term Debt - Continued**

The following is a summary of the School District's long-term debt for the year ended June 30, 2017:

	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2017
Serial Bonds				
2007 Serial Bonds	12/1/2007	12/1/2022	4.25% - 4.55%	$ 230,000
2012 Serial Bonds - DASNY	6/14/2012	6/15/2027	1.50% - 2.00%	10,085,000
2012 Refunding Bonds	4/3/2012	6/15/2018	1.50% - 4.00%	745,000
2012 Serial Bonds	10/18/2012	8/1/2017	1.50% - 1.75%	90,000
2013 Serial Bonds Series A	9/25/2013	6/15/2028	2.50% - 4.00%	2,975,000
2013 Serial Bonds Series B	9/25/2013	8/1/2018	1.625% - 2.00%	230,000
2014 Serial Bonds	9/4/2014	8/1/2019	1.625% - 1.65%	410,000
2015 Serial Bonds	8/26/2015	8/1/2020	1.50% - 1.75%	475,001
2016 Serial Bonds	6/15/2016	8/1/2031	3.00% - 5.00%	7,945,000
2016 Serial Bonds	9/1/2016	8/1/2022	1.52%	445,000
Subtotal Serial Bonds				23,630,001
Add: 2012 Refunding bond premium				682,468
Add: 2016 Serial bond premium				1,609,279
Total				25,921,748
Installment Purchase Debt				
Energy Performance Contract	9/28/2007	9/30/2023	4.17%	2,605,000
Total				**$ 28,526,748**

Long-term debt balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial Bonds	$ 17,583,507	$ 8,395,000	$ (2,348,506)	$ 23,630,001	$ 2,820,001
Add: 2012 Refunding bond premium	821,298		(138,830)	682,468	114,949
Add: 2016 Serial bond premium		1,724,228	(114,949)	1,609,279	127,662
Subtotal	18,404,805	10,119,228	(2,602,285)	25,921,748	3,062,612
Installment purchase debt	2,945,000		(340,000)	2,605,000	350,000
Total	**$ 21,349,805**	**$ 10,119,228**	**$ (2,942,285)**	**$ 28,526,748**	**$ 3,412,612**

Interest expense on long-term debt during the year was comprised of the following:

Interest paid	$ 1,300,324
Less interest accrued in the prior year	(134,158)
Plus interest accrued in the current year	132,205
Less amortization of bond premium	(253,779)
Total	**$ 1,044,592**

Note 7 **Long-Term Debt - Continued**

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Year	Principal	Interest	Total
2018	$ 2,820,001	$ 1,003,627	$ 3,823,628
2019	2,075,000	905,182	2,980,182
2020	2,040,000	831,505	2,871,505
2021	1,980,000	748,729	2,728,729
2022	1,950,000	663,565	2,613,565
2023-2027	9,745,000	1,954,056	11,699,056
2028-2031	3,020,000	348,800	3,368,800
Total	**$ 23,630,001**	**$ 6,455,464**	**$ 30,085,465**

Installment Purchase Debt

On August 30, 2007, the School District entered into a lease/purchase agreement as part of their energy performance contract. The School District qualified for a New York Energy Research and Development Authority (NYSERDA) New York Energy Smart Loan Fund grant in the amount of $1,000,000. As part of this grant, NYSERDA will pay lease interest of 4.0% up to $1,000,000. During 2017, NYSERDA paid $18,936 in interest on behalf of the School District's lease/purchase agreement.

The following is a schedule of future minimum lease payments under capital leases:

Year	Principal	Interest	Total
2018	$ 350,000	$ 122,807	$ 472,807
2019	365,000	108,629	473,629
2020	380,000	94,034	474,034
2021	400,000	78,813	478,813
2022	415,000	62,967	477,967
2023-2027	695,000	86,320	781,320
Total	**$ 2,605,000**	**$ 553,570**	**$ 3,158,570**

The net book value of capital assets procured through capital leases at June 30, 2017 follows:

	General Governmental
Cost	$ 5,010,015
Accumulated depreciation	(1,703,426)
Net Book Value	**$ 3,306,589**

Note 8 **Compensated Absences**

Compensated Absences - Represents the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	$ 4,542,488	$	$ (172,114)	$ 4,370,374

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, 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. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Employees' Retirement System (ERS)
The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, 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 (GLIP), which provides death benefits in the form of life insurance. The System 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/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are 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 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Summary of Significant Accounting Policies
The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	ERS	TRS
2017	**$ 912,285**	**$ 2,360,981**
2016	987,490	3,073,607
2015	1,159,738	2,806,917

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	ERS	TRS
Actuarial valuation date	April 1, 2016	June 30, 2015
Net pension (asset) liability	$ 9,396,223,126	$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	2,177,305	1,235,837
School District's share of the net pension (asset) liability	0.0225336%	0.115386%

For the year ended June 30, 2017, the School District recognized pension expense of $1,223,903 for ERS and $2,045,907 for TRS in the District-wide financial statements. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	**TRS**	**ERS**	**TRS**
Differences between expected and actual experience	$ 53,058	$	$ 321,525	$ 401,469
Changes of assumptions	723,349	7,040,114		
Net differences between projected and actual earnings on pension plan investments	422,912	2,778,811		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	29,124	84,324	4,505	21,964
School District's contributions subsequent to the measurement date	229,163	2,002,149		
Total	**$ 1,457,606**	**$ 11,905,398**	**$ 326,030**	**$ 423,433**

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	**ERS**	**TRS**
2018	$ 411,827	$ 869,619
2019	411,827	869,619
2020	362,393	3,027,720
2021	(283,634)	2,356,272
2022		1,086,105
Thereafter		1,270,481

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions
The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale increases	3.8%	1.9%-4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, 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. For TRS, 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 - June 30, 2014.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions - Continued

For ERS, the long term 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 returns net of investment expense 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 each the target asset allocation percentage and by adding expected inflation.

For TRS, 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 the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	**TRS**
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.5% for TRS. 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 contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' 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 (asset) liability.

Sensitivity of the Proportionate Share of the Net Pension (Asset) Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	$ 6,762,253	$ 2,117,305	$ (1,809,990)

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	$ 16,124,302	$ 1,235,837	$ (11,251,827)

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the employers as of the respective dates were as follows:

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension assets	$ 177,400,586	$ 108,577,184
Plan net position	(168,004,363)	(107,506,142)
Employers' net pension liability	**$ 9,396,223**	**$ 1,071,042**
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	99.0%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. 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 estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $229,163.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2017 through a state aid intercept. 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 employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $2,111,302.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension (asset) liability	$ 3,638,909	$ (1,461,604)	$ 2,177,305
Deferred outflows of resources	(3,408,387)	1,950,781	(1,457,606)
Deferred inflows of resources	431,332	(105,302)	326,030
Subtotal	661,854	383,875	1,045,729
TRS:			
Net pension (asset) liability	$ (12,123,822)	$ 13,359,659	$ 1,235,837
Deferred outflows of resources	(2,367,642)	(9,537,756)	(11,905,398)
Deferred inflows of resources	4,193,698	(3,770,265)	423,433
Subtotal	(10,297,766)	51,638	(10,246,128)
Total	**$ (9,635,912)**	**$ 435,513**	**$ (9,200,399)**

Note 10 **Other Postemployment Benefits**

The School District follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the School District Postretirement Health Care Plan (Plan) was performed as of July 1, 2016 for the fiscal year ending June 30, 2017.

Plan Description - The Plan is a single-employer, defined benefit healthcare plan administered by the School District. The Plan provides medical, dental, and vision benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each three-year period.

The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

Note 10 **Other Postemployment Benefits - Continued**

The contribution requirements of Plan members and the School District are established and may be amended by the Board of Education. The School District has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the School District's Plan:

Normal cost	$	2,025,058
Amortization of unfunded actuarial accrued liability (UAAL)		2,310,534
Total Annual Required Contribution		4,335,592
Interest on net OPEB obligation		1,066,179
Adjustment to annual required contribution		(1,482,146)
Annual OPEB Cost (Expense)		3,919,625
Expected employer contributions		(1,036,938)
Increase in Net OPEB Obligation		2,882,687
Net OPEB Obligation - July 1, 2016		26,654,482
Net OPEB Obligation - June 30, 2017	**$**	**29,537,169**

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 3,919,625	26.5%	$ 29,537,169
6/30/2016	4,052,292	28.6%	26,654,482
6/30/2015	3,874,959	25.7%	23,759,150

Note 10 **Other Postemployment Benefits - Continued**

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was $41,551,989; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was $21,242,968 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 195.6%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation report, the projected unit credit actuarial cost method was used. The actuarial value of assets was determined as the accumulation of prior accruals less benefits paid. Actuarial assumptions included an annual discount rate of 4.0%. Additional actuarial assumptions included an annual medical cost trend rate of 5.6% initially, to an ultimate rate of 3.9% in 2100.

Note 11 **Commitments and Contingencies**

Risk Financing and Related Insurance - General Information

The School District is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 11 **Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Health Insurance
The School District incurs costs related to an employee health insurance plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain a member for a minimum of two years; a member may withdraw from the Plan after that time by submitting 30 days written notice. The Central New York Health Insurance Consortium has 27 members with each bearing a pro-rata share of the Plan’s assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan’s assets were to be exhausted, members would be responsible for the Plan’s liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling $5,492,475.

Workers’ Compensation
The School District incurs costs related to an employee workers’ compensation plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of two years; a member may withdraw from the Plan after that time by submitting a 30 day notice.

The Onondaga-Cortland-Madison Workers’ Compensation Consortium includes 31 members with each bearing a pro-rata share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

Note 11 **Commitments and Contingencies - Continued**

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) reported but not settled, and claims incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling $306,193.

Other Items

The School District has received grants which are subject to audit by agencies of state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

Note 12 **Fund Balance Detail**

At June 30, 2017, nonspendable, restricted and assigned fund balance in the Governmental Funds was as follows:

	General Fund	School Lunch Fund	Capital Fund Buses	Capital Fund Construction	Debt Service Fund
Nonspendable					
Inventory	$	$ 37,859	$	$	$
Total Nonspendable Fund Balance	**$ -**	**$ 37,859**	**$ -**	**$ -**	**$ -**
Restricted					
Unemployment insurance reserve	190,281				
Retirement contribution reserve	1,637,793				
Tax certiorari reserve	3,022,128				
Liability reserve	1,034,938				
Employee benefit accured liability reserve	4,334,605				
Tax stabilization reserve	25,238,178				
Capital reserve	50,658		23,960		
School lunch		262,124			
Debt					1,756,997
Total Restricted Fund Balance	**$ 35,508,581**	**$ 262,124**	**$ 23,960**	**$ -**	**$ 1,756,997**
Assigned					
Appropriated for next year’s budget	$	$	$	$	$
Encumbered for:					
General support	2,056				
Instruction	19,857				
Pupil transportation	15,431				
School lunch					
Total Assigned Fund Balance	**$ 37,344**	**$ -**	**$ -**	**$ -**	**$ -**

Note 13 Stewardship, Compliance and Accountability

The Capital Projects Fund - Construction had a deficit unassigned fund balance of $(10,434,714) at June 30, 2017. This deficit will be eliminated as short-term financing is converted to long-term debt.

Note 14 Restricted Fund Balances

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2017 of restricted reserves follows:

Reserves	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
General Fund					
Unemployment insurance reserve	$ 190,115	$	$ 166	$	$ 190,281
Retirement contribution reserve	1,636,370		1,423		1,637,793
Tax certiorari reserve	4,979,740		2,627	(1,960,239)	3,022,128
Liability reserve	1,034,038		900		1,034,938
Employee benefit accrued liability reserve	4,330,837		3,768		4,334,605
Tax stabilization reserve	21,787,373	3,431,926	18,879		25,238,178
Capital reserve	50,614		44		50,658
Total	**$ 34,009,087**	**$ 3,431,926**	**$ 27,807**	**$ (1,960,239)**	**$ 35,508,581**
School Lunch Fund					
Restricted for school lunch	**$ 265,234**	**$ 1,089,202**	**$**	**$ (1,092,312)**	**$ 262,124**
Debt Service Fund					
Restricted for debt	**$ 1,691,183**	**$ 1,885,653**	**$ 4,389**	**$ (1,824,228)**	**$ 1,756,997**
Capital Projects Fund - Buses					
Capital Reserve	**$ -**	**$ 445,000**	**$ -**	**$ (421,040)**	**$ 23,960**

Note 15 Subsequent Events

On July 13, 2017, the School District renewed bond anticipation notes in the amount of $18,865,000 to provide funding for various capital construction projects.

Note 16 Tax Abatements

For the year ended June 30, 2017, the School District was subject to tax abatements negotiated by the Mexico Academy and Central School District (the School District).

The School District enters into various property tax abatement programs for the purpose of economic development. The School District received payments in lieu of taxes (PILOT) funds totaling $7,860,000. Property taxes abated totaled $4,480,586 for the year ended June 30, 2017.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	$ 10,888,881	$ 10,888,881	$ 10,894,441	$ 5,560
Real property tax items	10,250,000	10,250,000	10,229,360	(20,640)
Charges for services	16,500	16,500	101,721	85,221
Use of money and property	46,000	46,000	63,334	17,334
Sale of property and compensation for loss	288	288	14,615	14,327
Miscellaneous	288,000	290,701	806,197	515,496
Total Local Sources	21,489,669	21,492,370	22,109,668	617,298
State sources	27,477,621	27,482,621	28,655,114	1,172,493
Medicaid reimbursement	100,000	100,000	98,118	(1,882)
Total Revenues	49,067,290	49,074,991	50,862,900	1,787,909
OTHER FINANCING SOURCES				
Operating transfers in	100,000	100,000	122,170	22,170
Total Revenues and Other Financing Sources	49,167,290	49,174,991	**$ 50,985,070**	**$ 1,810,079**
Appropriated Fund Balance	2,150,000	5,150,000		
Appropriated Reserves	-	-		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	47,724	47,724		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	**$ 51,365,014**	**$ 54,372,715**		

See Independent Auditor's Report and Notes to Required Supplementary Information

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	$ 19,555	$ 26,993
Central administration	227,645	238,543
Finance	402,860	440,635
Staff	1,128,315	1,003,973
Central services	4,740,969	4,768,056
Special items	971,060	968,342
Total General Support	7,490,404	7,446,542
Instruction		
Instruction, administration, and improvement	1,313,563	1,405,827
Teaching - Regular school	10,388,772	10,453,100
Programs for students with disabilities	7,702,966	7,167,752
Occupational education	1,740,192	1,715,192
Teaching - Special school	265,710	394,681
Instructional media	1,984,241	2,126,597
Pupil services	2,127,311	2,122,331
Total Instruction	25,522,755	25,385,480
Pupil transportation	2,602,998	2,619,587
Community services	93,279	125,475
Employee benefits	11,066,255	11,061,996
Debt Service		
Principal	3,058,506	2,863,506
Interest	1,530,817	1,700,816
Total Debt Service	4,589,323	4,564,322
Total Expenditures	51,365,014	51,203,402
OTHER FINANCING USES		
Operating transfers out	-	3,169,313
Total Expenditures and Other Financing Uses	**$ 51,365,014**	**$ 54,372,715**
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Independent Auditor's Report and Notes to Required Supplementary Information

Actual	Encumbrances	Variance Favorable (Unfavorable)
$ 25,443	$ 66	$ 1,484
238,430		113
411,406		29,229
390,338		613,635
3,816,920	1,990	949,146
952,431		15,911
5,834,968	2,056	1,609,518
1,335,919	95	69,813
10,066,886	9,970	376,244
7,012,745		155,007
1,712,177		3,015
382,049		12,632
2,093,554	9,568	23,475
2,053,734	224	68,373
24,657,064	19,857	708,559
2,441,631	15,431	162,525
125,006		469
10,827,012		234,984
2,863,506		-
1,682,858		17,958
4,546,364	-	17,958
48,432,045	37,344	2,734,013
$ 3,169,313		-
51,601,358	**$ 37,344**	**$ 2,734,013**
(616,288)		
38,259,429		
$ 37,643,141		

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/30/2017	**07/1/2016**	**$ -**	**$ 41,551,989**	**$ 41,551,989**	**0.0%**	**$ 21,242,968**	**195.6%**
06/30/2016	07/1/2015	-	42,790,485	42,790,485	0.0%	20,178,462	212.1%
06/30/2015	07/1/2014	-	40,152,562	40,152,562	0.0%	21,552,148	186.3%

See Independent Auditor's Report and Notes to Required Supplementary Information

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Contractually required contribution	**$ 912,285**	$ 987,490	$ 1,159,738
Contributions in relation to the contractually required contribution	**(912,285)**	(987,490)	(1,159,738)
Contribution deficiency (excess)	**-**	-	-
School District's covered - employee payroll	**6,280,558**	6,024,355	6,073,849
Contributions as a percentage of covered - employee payroll	**14.5%**	16.4%	19.1%

* Information not readily available

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
NYSTRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Contractually required contribution	**$ 2,002,149**	$ 2,360,981	$ 3,073,607
Contributions in relation to the contractually required contribution	**(2,002,149)**	(2,360,981)	(3,073,607)
Contribution deficiency (excess)	**-**	-	-
School District's covered - employee payroll	**17,083,183**	17,805,289	17,533,411
Contributions as a percentage of covered - employee payroll	**11.7%**	13.3%	17.5%

* Information not readily available

See Independent Auditor's Report and Notes to Required Supplementary Information

2014	2013	2012	2011	2010	2009	2008
$ 1,118,824	$ 1,019,462	$ 775,323	$ *	$ *	$ *	$ *
(1,118,824)	(1,019,462)	(775,323)	*	*	*	*
-	-	-	-	-	-	-
5,872,873	5,526,065	*	*	*	*	*
19.1%	18.4%	N/A	N/A	N/A	N/A	N/A

2014	2013	2012	2011	2010	2009	2008
$ 2,806,917	$ 1,943,860	$ 1,808,698	$ 1,444,464	$ 1,155,011	$ 1,423,536	$ *
(2,806,917)	(1,943,860)	(1,808,698)	(1,444,464)	(1,155,011)	(1,423,536)	*
-	-	-	-	-	-	-
17,273,337	16,417,736	16,279,910	16,757,123	18,659,305	18,657,090	*
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	N/A

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	**0.0225336%**	0.0226719%	0.0226515%
School District's proportionate share of the net pension (asset) liability	**$ 2,177,305**	$ 3,638,909	$ 765,222
School District's covered-employee payroll during the measurement period	**6,209,788**	5,918,037	6,125,786
School District's proportionate share of the net pension (asset) liabiliity as a percentage of its covered-employee payroll	**35.1%**	61.5%	12.5%
Plan fiduciary net position as a percentage of the total pension (asset) liability	**94.7%**	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	**0.115386%**	0.116723%	0.116936%
School District's proportionate share of the net pension (asset) liability	**$ 1,235,837**	**$** (12,123,822)	$ (13,025,993)
School District's covered-employee payroll during the measurement period	**17,533,411**	17,273,337	16,417,736
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	**7.0%**	-69.1%	-75.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	**99.0%**	110.5%	111.5%

See Independent Auditor's Report and Notes to Required Supplementary Information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following changes to the voter approved budget occurred during the year:

Adopted Budget:	$	51,317,290
Prior year's encumbrances		47,724
Original Budget		51,365,014
Additions:		
Supplemental appropriation for debt reduction		3,000,000
Gifts and donations		2,701
Additional state aid		5,000
Total Additions		3,007,701
Final Budget	**$**	**54,372,715**

Note 2 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2017.

Note 3 **Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4 **Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System’s valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System’s valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year’s realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year’s net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions
The actuarially determined contribution rates in the Schedule of School District's contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School District's Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
Asset valuation method	Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Projected cost of living adjustments	1.5% compounded annually

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 51,317,290
Prior year's encumbrances		47,724
Original Budget		51,365,014
Additions:		
Supplemental appropriation for debt reduction		3,000,000
Additional State Aid		5,000
Gifts and donations		2,701
Total Additions		3,007,701
Final Budget		**$ 54,372,715**

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved budget		**$ 53,748,377**
Maximum allowed (4% of the 2016-2017 budget)		2,149,935
General Fund fund balance subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 37,344	
Unassigned fund balance	2,097,216	
Total Unrestricted Fund Balance	2,134,560	
Less:		
Encumbrances included in committed and assigned fund balance	$ 37,344	
Total Adjustments	37,344	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		**$ 2,097,216**
Actual Percentage		3.9%

See Independent Auditor's Report

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

			Expenditures		
PROJECT TITLE	**Original Budget**	**Revised Budget**	**Prior Years**	**Current Year**	**Total**
New Haven Elementary					
0-001-011	$ 130,766	$ 145,033	$ 145,033	$	$ 145,033
0-001-012	39,600	39,600	391,645	215,072	606,717
0-001-013	291,528	291,528	114,576	19,261	133,837
Palermo Elementary					
0-002-012	131,805	147,514	147,514		147,514
0-002-013	257,400	257,400	354,598	16,972	371,570
0-002-014	696,872	696,872	133,958	88,963	222,921
Mexico Elementary					
0-003-011	179,818	181,952	181,952		181,952
0-003-012	76,500	29,540	183	30,136	30,319
0-003-013	1,016,629	1,016,629	288,268	57,176	345,444
0-003-014				40,965	40,965
Mexico High School					
0-004-015	1,325,000	1,344,463	1,342,246		1,342,246
0-004-016	153,534	155,078	155,078		155,078
0-004-017	1,835,740	1,835,740	973,506	799,645	1,773,151
0-004-018			1,979,958	2,832,758	4,812,716
0-004-019				294,912	294,912
0-004-020	420,000	420,000		30,666	30,666
Mexico Middle School					
0-005-008	264,896	241,313	241,313		241,313
0-005-009	455,400	455,400	469,140	37,842	506,982
0-005-010			1,764,173	835,884	2,600,057
Bus Garage					
4-008-006	138,125	142,455	142,455		142,455
4-008-007	845,500	845,500	135,483	94,260	229,743
District-wide					
7-016-001				4,634	4,634
7-017-001				4,634	4,634
2017 Bus Purchases	445,000	445,000	-	421,040	421,040
BANs payable					
Total	**$ 8,704,113**	**$ 8,691,017**	**$ 8,961,079**	**$ 5,824,820**	**$ 14,785,899**

***Architectural and State approved budget modifications for subproject reallocations not yet finalized and available at this report date.**

See Independent Auditor's Report

	Methods of Financing				Fund Balance	
Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	(Deficit) June 30, 2017	
$ -	$ 145,033	$	$	$ 145,033	$ -	*
(567,117)	606,717			606,717	-	
157,691	133,837			133,837	-	*
-	147,514			147,514	-	*
(114,170)	371,570			371,570	-	
473,951	222,921			222,921	-	*
-	181,952			181,952	-	*
(779)	30,319			30,319	-	
671,185	345,444			345,444	-	*
(40,965)	40,965			40,965	-	*
2,217	1,342,246			1,342,246	-	*
	155,078			155,078	-	*
62,589	1,773,151			1,773,151	-	
(4,812,716)	5,478,522		930,146	6,408,668	1,595,952	*
(294,912)	294,912		3,000,000	3,294,912	3,000,000	*
389,334				-	(30,666)	*
	241,313			241,313	-	*
(51,582)	506,982			506,982	-	
(2,600,057)	2,600,057			2,600,057	-	*
-	142,455			142,455	-	*
615,757	229,743			229,743	-	*
(4,634)	4,634			4,634	-	
(4,634)	4,634			4,634	-	*
23,960	445,000			445,000	23,960	
	(15,000,000)			(15,000,000)	(15,000,000)	
$ (6,094,882)	**$ 444,999**	**$ -**	**$ 3,930,146**	**$ 4,375,145**	**$ (10,410,754)**	

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	$	53,016,554
Deduct:		
Bond anticipation notes		(15,161,425)
Short-term portion of bonds payable		(2,820,001)
Long-term portion of bonds payable		(20,810,000)
Short-term portion unamortized bond premiums		(242,611)
Long-term portion of unamortized bond premiums		(2,049,136)
Less: unspent bond proceeds		689,768
Less: unrelated debt (BOCES bonds)		2,975,000
Short-term portion of installment purchase debt		(350,000)
Long-term portion of installment purchase debt		(2,255,000)
Net Investment in Capital Assets	**$**	**12,993,149**

See Independent Auditor's Report

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Certified Public Accountants | Business Advisors

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCEAND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Mexico Academy and Central School District
Mexico, 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 Mexico Academy and Central School District (the 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 11, 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.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Education
Mexico Academy and Central School District
Mexico, New York

Report on Compliance for Each Major Federal Program

We have audited Mexico Academy and Central School District's (the 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 auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 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 the 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 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.

<u>Report on Internal Control over Compliance</u>

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2017

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Fund for the Improvement of Education	84.215	N/A	$	$ 16,768
Passed Through NYS Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032170714		556,593
Special Education - Preschool Grants	84.173	0033170714		15,588
Total Special Education Cluster			-	572,181
Title I Grants to Local Educational Agencies	84.01	0021172350		383,181
Title I Grants to Local Educational Agencies	84.01	0021162350		45,263
Total Title I, Part A Cluster			-	428,444
Rural and Low Income Schools Grant	84.358B	0006172350		11,353
Rural and Low Income Schools Grant	84.358B	0006162350		10,060
		Subtotal	-	21,413
Improving Teacher Quality State Grants	84.367	0147172350		89,224
Improving Teacher Quality State Grants	84.367	0147162350		69,011
		Subtotal	-	158,235
Total U.S. Department of Education			-	1,197,041
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	000704		134,459
National School Lunch	10.555	000704		564,386
Summer Food Service Program for Children	10.559	000704		17,417
Total Child Nutrition Cluster			-	716,262
Total U.S. Department of Agriculture			-	716,262
Total Expenditures of Federal Awards			**$ -**	**$ 1,913,303**

N/A Indicates Direct Award

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimus indirect cost rate.

Note 4 **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the School District received $71,763 under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued — Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ____ yes __X__ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ____ yes __X__ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

Type of auditor's report issued on compliance for major 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 programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: $ 750,000

Auditee qualified as low-risk? __X__ yes ____ no

Section II - Financial Statement Findings — None

Section III - Federal Award Findings and Questioned Costs — None

APPENDIX C

Form of Legal Opinion

FORM OF OPINION OF BOND COUNSEL

June 21, 2018

Mexico Central School District
Oswego County, New York

Re: Mexico Central School District, Onondaga County, New York
$17,725,000 School District (Serial) Bonds, 2018

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $17,725,000 School District (Serial) Bonds, 2018 (the "Bonds") of Mexico Central School District, County of Oswego, State of New York (the "District"). The Bonds are dated June 28, 2018 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before June 21, 2018 of the President of the Board of Education relative to the form and terms of the Bonds.

In our opinion, the Bonds are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all taxable real property within the District is subject to levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation of rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereinafter enacted.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. The President of the Board of Education of the District, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Bonds is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the District delivered concurrently with the delivery of the Bonds, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

In our opinion, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Bonds and the Arbitrage and Use of Proceeds

Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against New York municipal corporations such as the School District. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. The opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the School District, together with other legally available sources of revenue, if any, will be sufficient to enable the School District to pay the principal of or interest on the Bonds as the same respectively become due and payable. Reference should be made to the Official Statement for factual information, which, in the judgment of the School District would materially affect the ability of the School District to pay such principal and interest. We have not verified the accuracy, completeness or fairness of the factual information contained in the Official Statement and, accordingly, no opinion is expressed by us as to whether the School District, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

We have examined the first executed Bond of said issue and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

Trespasz & Marquardt, LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

FORM OF CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the School District has agreed to provide or cause to be provided,

(i) to the Electronic Municipal Market Access ("EMMA") systems of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross referenced in the final Official Statement dated May ___ 2018 of the School District relating to the Bonds by December 31 following the end of each succeeding fiscal year, commencing with the fiscal year ending June 30, 2018, and (ii) a copy of the audited financial statements if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2018; such audit, if any, will be so provided on or prior to the later of either December 31 of each such succeeding fiscal year or, if an audited financial statement at that time, within sixty days following receipt by the School District of its audited financial statement for the proceeding fiscal year, but in any event not later than June 30 of each succeeding fiscal year: and provided further in the event that the audited financial statement for any fiscal year is not available by December 31 following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however , that provision of unaudited financial statements in any year shall be further conditioned upon the determination by the School District of whether such provision is complaint with the requires of federal Securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a) (2) of Securities Act of 1933

(ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

(c) unscheduled draws on debt service reserves reflecting financial difficulties

(d) unscheduled draws on credit enhancements reflecting financial difficulties

(e) substitution of credit or liquidity providers, or their failure to perform

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bond

(g) modifications to rights of Bondholders, if material

(h) Bond calls, if material and tender offers

(i) defeasances

(j) release, substitution, or sale of property securing repayment of the bond

(k) rating changes

(l) bankruptcy, insolvency, receivership or similar event of the School District

(m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if mate

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Bond; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District reserves the right to terminate its obligation to provide the aforedescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Bond within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bond (including holders of beneficial interests in the Bond). The right of holders of the Bond to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Bond nor entitle any holder of the Bond to recover monetary damages.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the School District; provided that the School District agrees that any such modification will be done in a manner consistent with the Rule

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at Closing