PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel to the School District, under existing law (1) interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the "Code"), except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX MATTERS" herein.

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

$10,000,000

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

ALBANY AND SCHOHARIE COUNTIES, NEW YORK

GENERAL OBLIGATIONS

$10,000,000 Bond Anticipation Notes, 2019

(the "Notes")

Dated: July 10, 2019 **Due: July 10, 2020**

The Notes are general obligations of the Berne-Knox-Westerlo Central School District (the "District" or "School District"), Albany and Schoharie Counties, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued as registered book-entry notes or registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of $5,000 or multiples thereof, as may be determined by such successful bidder(s).

Alternatively, if the Notes are issued as registered book-entry notes, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of $5,000 or integral multiples thereof, as may be determined by such successful bidder(s). If the Notes are issued as registered book-entry notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Barclay Damon LLP, Bond Counsel, Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser(s), on or about July 10, 2019.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on June 20, 2019 until 10:45 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

June 11, 2019

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 ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "MATERIAL EVENT NOTICES" HEREIN.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

ALBANY AND SCHOHARIE COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

MATTHEW TEDESCHI
President

NATHAN ELBLE
Vice President

RANDY BASHWINGER
HELEN MARIE LOUNSBURY
KIMBERLY LOVELL

* * * * * * * * * * *

DR. TIMOTHY MUNDELL
Superintendent of Schools

STACY KING-MCELHINEY
School Business Executive

RENEE SHERWIN
Treasurer

ANNE FARNAM
District Clerk

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

BARCLAY DAMON LLP
Bond Counsel

No person has been authorized by Berne-Knox-Westerlo Central 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 Notes 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 Berne-Knox-Westerlo Central School District.

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PREPARED WITH THE ASSISTANCE OF

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Syracuse, New York 13202
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http://www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT ALBANY AND SCHOHARIE COUNTIES, NEW YORK

Relating To

$10,000,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page, has been prepared by the Berne-Knox-Westerlo Central School District, Albany and Schoharie Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of $10,000,000 principal amount of Bond Anticipation Notes, 2019 (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District tax base, revenues, and expenditures, this Official Statement should be 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 Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

NATURE OF OBLIGATION

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law" or "Chapter 97"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts

> have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted… While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the *Flushing National Bank* (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution, which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the *Flushing National Bank* (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in *Flushing National Bank v. Municipal Assistance Corp.*, 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in *Quirk*, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In *Quirk v. Municipal Assistance Corp.*, the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE NOTES

Description of the Notes

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

The Notes are dated July 10, 2019 and mature, without option of prior redemption, on July 10, 2020. The Notes will be issued in either (i) registered form, registered to the purchaser(s) in denominations of $5,000, or integral multiples thereof, or (ii) at the option of the purchaser(s), registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository for the Notes. See "Book-Entry-Only System" herein. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are issued pursuant to the Constitution and statutes of the State of New York, including among other things, the Education Law and the Local Finance Law, and a bond resolution adopted by the Board of Education on March 12, 2018 authorizing the issuance of $17,800,000 general obligation serial bonds to finance the reconstruction of various District buildings and facilities, including site work, and the acquisition of original furnishings, equipment, machinery or apparatus for the project.

The proceeds of the Notes will provide $10,000,000 new money for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes, if so requested. The Notes 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. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with 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, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

Redemption proceeds, distributions, and dividend payments on the Notes 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 nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

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 NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, 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 NOTES; (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 NOTES.

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 Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at the option of the District at the office of the District or at a principal corporate trust 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 District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District is located in the southwest corner of Albany County, with a portion of the District in Schoharie County, in a rural area nestled in the Helderberg Mountains. The District is a middle-class community, which has become a bedroom community for the cities of the Capital District – Albany, Schenectady and Troy.

The population of the District is approximately 6,727 (2017 U.S. Census Bureau estimate). It is located 16 miles south of the City of Schenectady, and 25 miles west of the City of Albany. The District is centered in the Hamlet of Berne on Route 443, and covers approximately 126 square miles.

The District was organized in 1931, but was enlarged by the annexation of various common school districts. It now includes virtually all of the Towns of Berne and Knox, most of the Town of Westerlo, and small portions of the Towns of New Scotland, Rensselaerville, Middleburgh and Wright.

Located in the District is the Clifford B. Hannay & Son Corporation, the nation's largest manufacturer of hose reels. Also within the District is Helderberg Blue Stone & Marble, Inc., a large supplier of building stone in New York State.

The area contains many private summer homes. It is a recreational area which includes three lakes: Warner, Thompson and Onderdonk. It also contains Thatcher Park and Thompson Lake Campground. Within the District boundaries are hundreds of acres of conversation and wildlife sanctuaries. Also included in the area are ten churches and two public libraries.

The District is located within short driving distance of many colleges and universities which include the State University of New York at Albany, Union College, Siena College, Rensselaer Polytechnic Institute, The College of Saint Rose, Schenectady County Community College and Hudson Valley Community College.

Source: District officials.

Population

The District has an estimated current population of 6,727. (Source: 2017 U.S. Census Bureau estimate.)

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which include the District, are the Towns and Counties listed below. The figures set below with respect to such Towns and Counties are included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Towns or the Counties are necessarily representative of the District, or vice versa.

	Per Capita Income			Median Family Income		
	2000	2006-2010	2013-2017	2000	2006-2010	2013-2017
Towns of:						
Berne	$ 22,095	$ 28,780	$ 35,326	$ 55,685	$ 71,680	$ 83,977
Knox	22,670	29,968	33,480	63,697	89,583	95,729
Westerlo	21,000	28,284	37,314	55,660	72,917	100,068
New Scotland	29,231	40,542	42,961	65,753	84,072	111,324
Middleburgh	17,560	25,353	28,216	42,056	64,458	64,583
Wright	19,711	28,375	27,950	46,667	72,969	66,354
Rensselaerville	20,921	27,708	32,538	51,607	69,177	79,375
Counties of:						
Albany	23,345	30,863	35.278	56,724	76,159	90,031
Schoharie	17,778	25,105	26,953	43,118	61,828	64,716
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Note: 2014-2018 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau 2000 census, and 2006-2010 and 2013-2017 American Community Survey data.

Larger Employers

The following are the five larger employers located within or in close proximity to the District.

Name	Type	Approximate Number of Employees
Berne-Knox-Westerlo Central School District	Public Education	224
Clifford B. Hannay & Son	Manufacturer - Hoses	160
County Public Works Department	Highway Maintenance	96
Town of Berne	Municipal Government	80*
Helderberg Blue Stone & Marble, Inc.	Manufacturer – Building Stone	10

* Includes seasonal and part-time employees.

Source: District officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Counties of Albany and Schoharie. The information set forth below with respect to the Counties is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Counties are necessarily representative of the District, or vice versa.

	Annual Averages						
	2012	2013	2014	2015	2016	2017	2018
Albany County	7.1%	6.1%	4.9%	4.3%	4.1%	4.2%	3.7%
Schoharie County	9.2	8.1	6.7	5.8	5.4	5.5	4.8
New York State	8.5	7.7	6.3	5.3	4.9	4.7	4.7

	2019 Monthly Figures					
	Jan	Feb	Mar	Apr	May	June
Albany County	3.8%	3.7%	3.6%	3.2%	N/A	N/A
Schoharie County	6.2	5.9	5.3	4.1	N/A	N/A
New York State	4.6	4.4	4.1	3.6	N/A	N/A

Note: Unemployment rates for May and June of 2019 are not available as of the date of this Official Statement.

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

Form of School Government

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws general applicable to the District and any special laws applicable to the School District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education (the “Board”). On the third Tuesday in May each year, an election is held within the District boundaries to elect one or more members to the Board. The Board consists of five members serving three-year terms.

During the first ten days of July of each year, the Board meets for the purpose of reorganization. At that time an election is held within the Board to elect a President and Vice President and to appoint other District officials.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Business Administrator.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven days 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 District must mail a school budget notice to all qualified voters which contains the total budget 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 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 District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "School District Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District 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 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.

Recent Budget Vote Results

The budget for the 2017-18 fiscal year was adopted by the qualified voters on May 16, 2017 with a vote of 636 to 161. The District's budget for 2017-18 remained within the 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 with a vote of 583 to 285. The District's budget for 2018-19 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 with a vote of 553 to 270. The District's adopted budget for 2019-20 will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

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.

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.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 47.70% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the 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 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 (See also "MARKET AND RISK FACTORS").

Potential Reductions in Federal Aid Received by the State

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

The State's Enacted 2017-2018, 2018-2019 Budgets allowed, and the State's Enacted 2019-2020 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by $850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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 mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Building Aid

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

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. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District State Building aid of approximately 79.2% for debt service on State Education Department approved expenditures from July 1, 2004 to the present

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.

State Aid History

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

School district fiscal year (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with $603 million in GEA cuts being restored, and provided an additional $428 million in foundation aid and $268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District is not part of the Community Schools Grant Initiative (CSGI).

<u>Gap Elimination Adjustment (GEA).</u> The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately $7,394,826. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

School district fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased 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 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-2018 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected. The Legislature then will have 90 days to approve the Governor’s plan.

School district fiscal year (2018-2019): The State’s 2018-2019 Enacted Budget included nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately $859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at $26.03 billion statewide, a 3.4% increase over the prior year. The State’s 2018-19 Enacted Budget included an increase of $618 million in Foundation Aid for school districts. Foundation Aid totaled nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State’s 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. $50 million of the Foundation Aid increase was “set aside” for certain school districts to fund community schools. The State’s 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served 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 2018-2019. The State 2018-2019 Enacted Budget continued to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

School district fiscal year (2019-2020): The State’s 2019-2020 Enacted Budget includes a total of $27.69 billion for School Aid, a year-to-year funding increase of $956 million or 3.6 percent and will provide additional funding for Foundation Aid of $338.0 million and $409.65 million in reimbursements for expense-based aids. In addition, the 2019-2020 Enacted Budget increases the Community Schools set-aside funding amount by $49.99 million to a total of $250.0 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The 2019-2020 Enacted Budget increases the minimum community schools funding amount from $75,000 to $100,000. This ensures all high-need districts across the State can apply the funds to a wide-range of activities.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The *Campaign for Fiscal Equity* decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive $5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York ("NYSER")* and a consolidated case on the right to a sound basic education. The *NYSER* lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *Campaign for Fiscal Equity* case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below fiscal years comprised of State aid.

Fiscal Year	Total State Aid (1)	Total Revenues	Percentage of Total Revenues Consisting (1) of State Aid (1)
2014-2015	$ 9,049,050	$ 20,882,903	43.33%
2015-2016	9,160,597	20,812,716	44.01
2016-2017	9,820,558	21,066,347	46.62
2017-2018	9,892,100	21,184,638	46.69
2018-2019 (Budgeted)	10,113,803	21,421,186	47.21
2018-2019 (Estimated Unaudited)	9,911,606	21,465,835	46.17
2019-2020 (Budgeted)	10,303,993	21,601,653	47.70

(1) General fund only.

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. The 2018-2019 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

School Facilities

Name	Grades	Capacity	Year(s) Built
Berne-Knox-Westerlo Elementary School	K-5	410	1932, ’48, '55, '01
Berne-Knox-Westerlo High School	6-12	670	1965, '96, ’05, ‘11

Source: District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-15	855	2019-20	754
2015-16	813	2020-21	751
2016-17	795	2021-22	759
2017-18	794	2022-23	760
2018-19	757	2023-24	760

Source: District officials.

Employees

The District employs a total of approximately 189 full-time and 26 part-time employees. Certain employees are represented by the following unions:

Employees Represented	Union Representation	Contract Expiration Date
89	Berne-Knox-Westerlo Teachers’ Association	June 30, 2022
8.5	Berne-Knox-Westerlo Clerical Employees	June 30, 2023
3	Berne-Knox-Westerlo Mechanics	June 30, 2023
53	Berne-Knox-Westerlo CSEA	June 30, 2019 [1]
28	Berne-Knox-Westerlo Teachers’ Support Staff	June 30, 2023
4	Helderberg Administrators	June 30, 2020

[1] Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. 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 and TRS employees to continue contributing 3.5% 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.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2019-2020 fiscal year are as follows:

Year	ERS	TRS
2014-2015	$ 384,681	$ 879,419
2015-2016	390,582	878,832
2016-2017	326,347	829,295
2017-2018	328,713	758,240
2018-2019	338,128	671,759
2019-2020 (Budgeted)	400,000	742,373

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District does offer early retirement incentives for its employees. During the 2016-17 fiscal year, one employee participated at a cost of $10,000 and estimated savings of $135,401. During the 2017-18 fiscal year, seven employees participated at a total cost of $56,684 and total estimated savings of $114,466. During the 2018-19 fiscal year, one employee has participated at a cost of $10,000 and estimated savings of $50,141. The District intends to offer early retirement incentives for teachers with ten or more years of service during the 2019-20 fiscal year.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2016 to 2020) is shown below:

Year	ERS	TRS
2015-16	18.2%	13.26%
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.62
2019-20	14.6	8.86*

* Estimated. The final rate is expected to be adopted by the New York State Teachers' Retirement System Board at its July 31, 2019 meeting.

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 the 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 District is not amortizing any pension payments, nor does it intend to do so in the foreseeable future.

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 14% 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.

The State's 2019-2020 Enacted Budget, which was signed into law on March 31, 2019, will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the District has not yet determined whether it will establish such a fund.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the District has not yet determined whether it will establish such a fund.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by 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.

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. Until now, 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 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits ("OPEB") plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this statement requires District's to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Summary of Changes from the Last Valuation. The District contracted with Capital Region BOCES to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

The following outlines the changes to the Total OPEB Liability during the fiscal year, by source.

Balance at June 30, 2017:	$ 55,009,135
Changes for the year:	
Service cost	2,029,182
Interest	1,934,351
Differences between expected and actual experience	-
Changes of benefit terms	-
Changes in assumptions	(2,750,457)
Benefit payments	(1,953,978)
Net Changes	(740,902)
Balance at June 30, 2018:	$ 54,268,233

Note: The above table is not audited. For additional information see "APPENDIX – D" attached hereto.

GASB 45. Prior to GASB 75, GASB Statement No. 45 ("GASB 45"), required municipalities and school districts to account for OPEB liabilities much like they already accounted 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 covered accounting for pensions, GASB 45 did 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") was 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 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

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The District contracted with Capital Region BOCES to calculate its OPEB in accordance with GASB 45. Based on the actuarial valuation and financial data as of June 30, 2017, the following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending June 30, 2016 and 2017:

Annual OPEB Cost and Net OPEB Obligation:	**2016**	**2017**
Annual required contribution (ARC)	$ 3,164,302	$ 3,305,890
Interest on net OPEB obligation	703,433	761,834
Adjustment to ARC	(526,936)	(570,684)
Annual OPEB cost (expense)	3,340,799	3,497,040
Contributions made	(2,172,784)	(1,685,883)
Increase in net OPEB obligation	1,168,015	1,811,157
Adjustment to actuarially determined liability	(939,699)	-
Net OPEB obligation - beginning of year	15,008,364	15,236,680
Net OPEB obligation - end of year	$ 15,236,680	$ 17,047,837
Percentage of annual OPEB cost contributed	65.04%	48.21%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 44,324,263	$ 45,895,758
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 44,324,263	$ 45,895,758
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 3,497,040	48.2%	$ 17,047,837
2016	3,340,799	65.0	15,236,680

Note: The above tables are not audited.

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

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved $0 towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

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

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.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

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 Notes are to be 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 Notes as provided in Title 6 of Article 2 of the Local Finance Law.

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

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

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and is attached hereto as "APPENDIX – D". In addition, 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. Certain financial information of the District can be found attached as Appendices to this Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the 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 Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003, the District issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

Unaudited Results for the Fiscal Year Ending June 30, 2019

The District expects to end the fiscal year ending June 30, 2019 with a cumulative unappropriated unreserved fund balance of $929,878.

Summary estimated unaudited information for the General Fund for the period ending June 30, 2019 is as follows:

Revenues:	$ 22,000,000
Expenditures:	21,500,000
Excess (Deficit) Revenues Over Expenditures:	$ 500,000
Total Fund Balance:	$ 7,205,181

Note: These projections are based upon certain current assumptions and estimates, and the audited results may vary therefrom.

Source: District officials.

New York 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 State Comptroller's office released an audit report of the District on July 20, 2018. The purpose of the audit was to determine if the Board of Education was provided with timely and detailed financial information for the period July 1, 2016 through October 31, 2017.

Key Findings:

- Detailed budget to actual reports are not provided to the Board of Education timely.
- Bank reconciliations are not prepared timely.

Key Recommendations:

- The Business Manager should ensure detailed budget to actual reports for revenue and expenditures are provided to the Board of Education each month.
- The Treasurer should ensure bank reconciliations are presented to the Board in a timely manner.

The District provided a complete response to the State Comptroller's office on July 10, 2018. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible 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 reports of the State Comptroller for the past three fiscal years of the District are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	3.3
2017	No Designation	3.3
2016	No Designation	0.0

Source: Website of the Office of the New York State Comptroller.

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

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TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Berne	$ 151,179,400	$ 159,537,868	$ 148,482,419	$ 152,368,395	$ 152,604,091
Knox	115,875,567	122,423,134	113,239,844	116,980,948	117,428,199
Westerlo	1,193,441	1,259,500	1,176,289	1,201,828	1,209,651
New Scotland	5,648,254	5,159,049	5,460,861	5,486,401	5,370,396
Middleburgh	110,377	149,516	111,259	111,314	81,219
Wright	300,518	388,801	306,991	310,432	304,296
Rennselaerville	204,350	213,911	204,108	204,359	176,924
Total Assessed Values	$ 274,511,907	$ 289,131,779	$ 268,981,771	$ 276,663,677	$ 277,174,776

State Equalization Rates					
Towns of:					
Berne	64.00%	64.00%	64.00%	64.00%	63.00%
Knox	62.00%	62.00%	62.00%	60.00%	58.00%
Westerlo	0.98%	0.98%	0.98%	0.98%	1.00%
New Scotland	100.00%	100.00%	100.00%	98.00%	96.00%
Middleburgh	70.00%	70.00%	70.00%	70.00%	70.00%
Wright	88.00%	86.00%	88.00%	80.00%	78.00%
Rennselaerville	58.50%	59.50%	59.10%	61.85%	60.00%
Total Taxable Full Valuation	$ 551,390,332	$ 581,439,246	$ 540,992,195	$ 562,155,213	$ 572,051,414

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Berne	$ 30.86	$ 30.95	$ 31.77	$ 30.42	$ 30.68
Knox	31.86	31.95	32.80	32.45	33.32
Westerlo	2,015.34	2,021.23	2,074.98	1,986.87	1,932.59
New Scotland	19.76	19.78	20.33	19.87	20.13
Middleburgh	28.21	29.53	28.67	27.82	27.61
Wright	22.44	21.38	22.93	24.34	24.78
Rennselaerville	19.75	32.14	33.96	31.48	32.21

Tax Collection Procedure

The real property taxes of the District are levied by the Counties and are collected by the Tax Receiver (BOCES). Such taxes are due September 8th and payable through October 10th without penalty. On or about November 15th, a list of all unpaid taxes is given to the County Treasurers for the re-levy on County/Town tax rolls.

The District is not responsible for the collection of taxes of any other unit of government.

The District is reimbursed by the Counties for all unpaid taxes in April of each year and is thus assured of 100% collection of its annual levy.

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 10,890,198	$ 10,946,198	$ 11,000,929	$ 10,945,924	$ 11,055,383
Amount Uncollected (1)	696,321	656,675	664,501	603,533	642,671
% Uncollected	6.39%	6.00%	6.04%	5.51%	5.81%

(1) The District receives 100% of its tax levy each year. See "Tax Collection Procedure" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below fiscal years comprised of real property taxes and tax items:

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2014-2015	$ 20,882,903	$ 10,911,326	52.25%
2015-2016	20,812,716	10,963,247	52.68
2016-2017	21,066,347	11,042,527	52.42
2017-2018	21,184,638	10,965,256	51.76
2018-2019 (Budgeted)	21,421,186	11,055,383	51.61
2018-2019 (Estimated Unaudited)	21,465,835	11,055,383	51.50
2019-2020 (Budgeted)	21,601,653	11,110,660	51.43

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. The 2018-2019 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

Larger Taxpayers 2018 Tax Roll for 2018-2019

Name	Type	Taxable Assessed Valuation
Tennessee Gas Pipeline	Utility	$ 7,803,900
Tennessee Gas Transmission	Utility	7,731,240
Iroquois Gas Transmission	Utility	5,817,300
Niagara Mohawk DBA National Grid	Utility	2,432,480
House of EQUOS, LLC	Real Estate	1,560,569
Niagara Mohawk Power Co.	Utility	1,503,635
Hens, James R.	Private	1,168,800
Iroquois Gas Trans System	Utility	1,127,600
Pine Mobile Home Park, LL	Private	984,000
Sinclair Communications LLC	Communications	835,200

The larger taxpayers listed above have a total taxable assessed valuation of $30,964,724, which represents 11.17% of the tax base of the District.

As of the date of this Official Statement, the District does not currently have any pending or outstanding tax certioraris that, if decided adversely to the District, are known or believed could have a material impact on the finances of the District.

Source: District Tax Rolls.

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 are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

STAR - School Tax Exemption. The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. 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 $88,050 or less in 2020, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $68,700 for the 2019-20 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $250,000 ($500,000 in the case of a STAR credit, as discussed below) are eligible for a $30,000 "full value" 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 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. 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 2015-2016 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 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the credit. Homeowners with STAR Adjusted Gross Income of $250,000 have the option. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

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.

The below table lists the basic and enhanced exemption amounts for the municipalities applicable to the District:

Towns of:	Enhanced Exemption	Basic Exemption	Date Certified
Berne	$ 43,280	$ 18,900	4/9/2019
Knox	39,850	17,400	4/9/2019
Westerlo	690	300	4/9/2019
New Scotland	65,950	28,800	4/9/2019
Middleburgh	48,090	21,000	4/9/2019
Wright	53,590	23,400	4/9/2019
Rensselaerville	41,220	18,000	4/9/2019

$1,316,130 of the District's $11,055,383 school tax levy for the 2018-2019 fiscal year was exempted by the STAR Program. The District received full reimbursement from such exempt taxes in January 2019.

Approximately $1,322,702 of the District's $11,110,660 school tax levy for the 2019-2020 fiscal year is expected to be exempted by the STAR Program. The District anticipates full reimbursement from such exempt taxes in January 2020.

Additional Tax Information

Real property located in the District is assessed by the Towns.

Senior citizens' and Veterans' exemptions are offered to those who qualify.

The total valuation of the District is estimated to be categorized as follows: Residential-80% and Commercial-20%

The estimated total annual property tax bill of a $100,000 market value residential property located in the District is approximately $1,933 for District taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget 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").

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, 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.

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 2016-2019. 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. 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. For taxpayers other than those living in one of the "Big 4" cities (Buffalo, Rochester, Syracuse and Yonkers) 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. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of Chapter 97.

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

See "THE SCHOOL DISTRICT – Budgetary Procedures" herein for additional information regarding the District's Tax Levy.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), (the "TCJA") making major changes to the Federal Internal Revenue Code, most of which were effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, corporate income taxes, and estate taxes. The State's income tax system interacts with the Federal system in numerous ways. The changes to the Federal tax code are expected to have significant flow-through effects on state tax burdens and revenues. The State's 2019-20 Enacted Budget included State tax reform intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle. The State continues to evaluate other tax law changes in response to the TCJA. On July 18, 2018, the State, joined by Connecticut, Maryland and New Jersey, filed a lawsuit intended to protect New York taxpayers from the new Federal limit on the SALT deduction. The lawsuit argues that the new SALT limit was enacted to target New York and similarly situated states, that it interferes with the states' rights to make their own fiscal decisions, and that it will disproportionately harm taxpayers in these states.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution and Local Finance Law limit the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations in summary form, and as generally applicable to the School District and the Notes, include the following:

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

The School District may contract indebtedness only for a school district purpose and shall pledge its faith and credit for the payment of the 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. The School 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.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the School 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 School District has the power to contract indebtedness for any School District purpose provided that the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining average full valuation is by dividing the assessed valuation of taxable real estate for the last completed and the four preceding assessment rolls by the equalization rates established by the State Office of Real Property Services in accordance with applicable State law.

The School 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. No down payment is required in connection with the issuance of District obligations.

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 School 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.

As of the date of the issuance of the Notes, the School District will have complied with this estoppel procedure in connection with the Notes.

The Board of Education, as the finance board of the School 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 School District, pursuant to the Local Finance Law.

The School District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the School District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30th:	2014	2015	2016	2017	2018
Bonds [(1)]	$ 14,010,991	$ 12,853,300	$ 11,557,683	$ 10,354,449	$ 9,013,499
Bond Anticipation Notes	0	0	0	0	0
Other Debt	0	0	0	0	0
Total Debt Outstanding	$ 14,010,991	$ 12,853,300	$ 11,557,683	$ 10,354,449	$ 9,013,499

(1) Includes an Energy Performance Contract.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of June 11, 2019:

Type of Indebtedness	Maturity		Amount
Bonds [(1)]	2019-2025		$ 8,113,625
Bond Anticipation Notes	-		0
		Total Indebtedness	$ 8,113,625

(1) Includes an Energy Performance Contract.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 11, 2019:

Full Valuation of Taxable Real Property			$ 572,051,414
Debt Limit 10% thereof			57,205,141
Inclusions:			
Bonds	$ 8,113,625		
Bond Anticipation Notes	0		
Principal of this Issue	10,000,000		
Total Inclusions		$ 18,113,625	
Exclusions:			
State Building Aid [(1)]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 18,113,625
Net Debt-Contracting Margin			$ 39,091,516
The percent of debt contracting power exhausted is			31.66%

(1) Based on 2019-2020 preliminary building aid estimates, the District anticipates State Building aid of 79.2% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The 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 District will receive in relation to the outstanding bonds.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the statutory debt limit of the District.

Bonded Debt Service

A schedule of bonded debt service may be found in "APPENDIX – B" to this Official Statement.

Cash Flow Borrowings

The District historically does not issue revenue or tax anticipation notes, and does not reasonably expect to issue such notes in the foreseeable future.

Capital Project Plans

On November 2, 2017, the District voters approved a $19.8 million capital project for various reconstruction and improvements to District buildings and facilities. The District will be using $2 million of reserves for the project with the remaining funds coming from bond anticipation notes and serial bonds. The issuance of the Notes represents the first borrowing against this authorization.

There are currently no additional projects that are authorized or contemplated at this time.

The District annually issues serial bonds for the purchase of school buses. During the 2019-2020 fiscal year, the District intends to issue $299,656 serial bonds for this purpose.

Capital Lease Obligations

The District entered into a capital lease for a vehicle on October 16, 2018 in the amount of $43,920. Payments are due annually on October 16th of each year 2018-2024. A summary of future lease payments to be made are as follows:

Fiscal Year	Principal	Interest
2019-2020	$ 6,333.20	$ 2,050.16
2020-2021	6,698.57	1,684.79
2021-2022	7,085.02	1,298.34
2022-2023	7,493.77	889.59
2023-2024	7,926.08	457.28
Total	$ 35,536.64	$ 6,380.16

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the District. Estimated bonds and bond anticipation notes are as of the close of the respective fiscal years of the below municipalities.

Municipality	Status of Debt as of	Gross Indebtedness [1]	Exclusions [2]	Net Indebtedness	District Share	Applicable Indebtedness
County of:						
Albany	12/31/2016	$ 281,817,942	$ -	$ 281,817,942	2.27%	$ 6,397,267
Schoharie	12/31/2016	36,955,000	-	36,955,000	0.02%	7,391
Town of:						
Berne	12/31/2016	1,350,117	-	1,350,117	89.98%	1,214,835
Knox	12/31/2016	-	-	-	86.34%	-
Westerlo	12/31/2016	851,600	601,000	250,600	43.02%	107,808
New Scotland	12/31/2016	4,858,588	4,365,388	493,200	0.57%	2,811
Middleburgh	12/31/2016	108,889	-	108,889	0.08%	87
Wright	12/31/2016	128,358	-	128,358	0.39%	501
Rensselaerville	12/31/2016	739,195	82,500	656,695	0.15%	985
					Total:	$ 7,731,686

(1) Bonds and bond anticipation notes are as of the close of the respective fiscal years, and are not adjusted to include subsequent bond sales, if any.

(2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Comptroller’s Special Report on Municipal Affairs for Local Finance Years Ended in 2016 and 2017.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 11, 2019:

	Amount Indebtedness	Per Capita [a]	Percentage Full Valuation [b]
Gross Indebtedness (see "Computation of Debt Limit")	$ 18,113,625	$ 2,692.68	3.17%
Gross Indebtedness Plus Net Overlapping Indebtedness [c]	25,845,311	3,842.03	4.52

(a) The 2017 estimated population of the District is 6,727. (See “THE SCHOOL DISTRICT – Population” herein.)

(b) The District's full value of taxable real estate for 2018-19 is $572,051,414. (See “TAX INFORMATION – Taxable Assessed Valuations” herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is $7,731,686. (See "Estimated Overlapping Indebtedness" herein.)

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 Notes, 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 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 Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies, such as the District, 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 for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these Local Finance Law provisions do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any Counties, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and 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.”

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

MARKET AND RISK FACTORS

The financial condition of the District as well as the market for the Notes 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 or 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 Notes. 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 Notes, could be adversely affected.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in 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 District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - 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 District could have an impact upon the market price of the Notes. See “TAX LEVY LIMITATION LAW” herein.

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Code, except that (A) the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to Federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District will covenant in the Tax Certificates as to Arbitrage and Use of Proceeds and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the District shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Notes to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company's deduction for loss is reduced by 15% of the sum of certain items, including interest on the Notes; (2) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Notes, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

A Noteholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes. The nature and extent of these other consequences will depend upon the Noteholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Notes should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Notes will be designated or deemed designated by the District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law and could affect the market price for, or the marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Barclay Damon LLP, Bond Counsel, Albany, New York to the effect that the Notes 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 Notes and the interest thereon without limitation as to rate or amount, that interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and that interest on the Notes 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 Notes 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 on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. Such opinion also will state that: (a) the rights of the owners of the Notes and the enforceability of the Notes 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 Notes; 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 circumstances that may thereafter come to their attention or any changes in law that may occur thereafter.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe, however, that such suits if decided adversely to the District, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the 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 the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

CONTINUING DISCLOSURE

In order to assist the purchasers 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 an Undertaking to Provide Notice of Material Events Certificate, a description of which is attached hereto as "APPENDIX – C".

Historical Compliance

The District failed to file its Audited Financial Statements for the fiscal year ending June 30, 2015 by the last day of the succeeding fiscal year as was required by prior continuing disclosure undertaking agreements of the District. The Audited Financial Statements for the fiscal year ending June 30, 2015 are dated as of January 25, 2016, and were posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system on March 8, 2016. A notice of the District's failure to file the Audited Financial Statements, along with notice of the District's failure to provide event filing information within ten business days as required, was posted to EMMA on January 25, 2019.

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

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), 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 Notes. The advice on the plan of financing and the structuring of the Notes 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. The fees to be paid by the District to the Municipal Advisor are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the District provided, however; the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATINGS

The Notes are not rated. Subject to the approval of the District, the purchaser(s) of the Notes may have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, such as a rating action that may require the filing of a material event notification to EMMA.

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its underlying rating of "AA-" with a stable outlook to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating, and any explanation of the significance of such rating may be obtained Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

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 Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, 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 documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words 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 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 holder of the Notes.

Barclay Damon LLP, Albany, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, 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 circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

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

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. 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. Fiscal Advisors & Marketing, 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 District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the 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. Fiscal Advisors & Marketing, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Renee Sherwin, District Treasurer, 1738 Helderberg Trail, Berne, New York 12023, Phone: (518) 872-0909, Fax: (518) 872-0341, Email: renee.sherwin@bkwschools.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., Phone: (315) 752-0051, or at www.fiscaladvisors.com.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

Dated: June 11, 2019

MATTHEW TEDESCHI
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Unrestricted Cash	$ 3,024,043	$ 5,361,294	$ 2,125,388	$ 2,188,522	$ 1,480,753
Restricted Cash	2,722,240	1,387,273	3,800,683	3,499,683	4,314,388
Temporary Investments	-	-	-	-	-
Other Receivables	8,066	4,698	61,311	32,553	12,667
State and Federal Aid Receivable	308,245	272,810	622,527	627,648	576,557
Due from Other Governments	287,884	630,845	1,163	-	-
Due from Other Funds	443,552	752,756	733,165	977,403	1,099,170
Due from Fiduciary Funds	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
TOTAL ASSETS	$ 6,794,030	$ 8,409,676	$ 7,344,237	$ 7,325,809	$ 7,483,535
LIABILITIES AND FUND EQUITY					
Accounts Payable & Accrued Liabilities	$ 169,613	$ 1,115,424	$ 263,689	$ 116,125	$ 14,808
Due to Other Funds	288,924	-	219	189	-
Due to Fiduciary Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	930,115	1,049,166	829,997	758,240	671,714
Due to Employees' Retirement System	126,970	118,237	90,006	82,433	91,817
Deferred Revenues	-	-	-	-	-
TOTAL LIABILITIES	1,515,622	2,282,827	1,183,911	956,987	778,339
FUND EQUITY					
Reserved	$ 2,722,240	$ 3,504,683	$ 3,800,683	$ 4,012,523	$ 4,314,388
Unreserved:					
Appropriated	1,694,816	1,729,974	1,481,070	1,452,326	1,460,930
Unappropriated	861,352	892,192	878,573	903,973	929,878
TOTAL FUND EQUITY	5,278,408	6,126,849	6,160,326	6,368,822	6,705,196
TOTAL LIABILITIES & FUND EQUITY	$ 6,794,030	$ 8,409,676	$ 7,344,237	$ 7,325,809	$ 7,483,535

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2013	2014	2015	2016	2017
REVENUES					
Real Property Taxes	$ 10,913,265	$ 10,912,415	$ 10,911,326	$ 10,963,247	$ 11,042,527
Non-Property Taxes	-	-	-	-	-
Charges for Services	68,086	38,001	22,453	7,824	9,845
Use of Money & Property	55,174	35,931	25,507	28,096	26,790
Sale of Property and Compensation for Loss	462	11,076	1,890	5,853	4,463
Miscellaneous	199,853	616,103	835,678	551,693	121,345
Revenues from State Sources	7,870,952	8,727,628	9,049,050	9,160,597	9,820,558
Revenue from Federal Sources	23,088	78,836	36,999	95,406	40,819
Total Revenues	$ 19,130,880	$ 20,419,990	$ 20,882,903	$ 20,812,716	$ 21,066,347
Other Sources:					
Interfund Transfers	164,726	-	-	-	300,000
Total Revenues and Other Sources	19,295,606	20,419,990	20,882,903	20,812,716	21,366,347
EXPENDITURES					
General Support	$ 1,849,671	$ 1,730,591	$ 2,040,859	$ 2,202,778	$ 2,088,661
Instruction	8,913,069	9,164,534	9,468,369	9,455,342	9,847,680
Pupil Transportation	1,856,390	1,436,039	1,285,856	1,462,015	1,490,388
Community Services	-	-	-	-	-
Employee Benefits	5,552,831	5,714,492	5,369,444	5,760,951	5,790,149
Debt Service	679,898	1,622,799	1,664,083	1,696,719	1,678,357
Total Expenditures	$ 18,851,859	$ 19,668,455	$ 19,828,611	$ 20,577,805	$ 20,895,235
Other Uses:					
Interfund Transfers	366,323	270,487	205,851	201,434	262,616
Total Expenditures and Other Uses	19,218,182	19,938,942	20,034,462	20,779,239	21,157,851
Excess (Deficit) Revenues Over Expenditures	77,424	481,048	848,441	33,477	208,496
FUND BALANCE					
Fund Balance - Beginning of Year	4,719,936	4,797,360	4,278,408	6,126,849	6,160,326
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 4,797,360	$ 5,278,408	$ 5,126,849	$ 6,160,326	$ 6,368,822

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes & Items	$ 10,955,924	$ 10,955,924	$ 10,965,256	$ 11,055,383	$ 11,110,660
Other Tax Items	-	-	-	-	-
Charges for Services	20,000	20,000	10,675	-	-
Use of Money & Property	27,500	27,500	21,737	-	-
Sale of Property and Compensation for Loss	500	500	13,212	-	-
Miscellaneous	95,000	95,000	217,477	252,000	187,000
Revenues from State Sources	10,005,808	10,005,808	9,892,100	10,113,803	10,303,993
Revenues from Federal Sources	45,000	45,000	64,181	-	-
Total Revenues	$ 21,149,732	$ 21,149,732	$ 21,184,638	$ 21,421,186	$ 21,601,653
Other Sources:					
Restricted Reserves	231,000	231,000	-	534,165	440,981
Appropriated Reserves	976,761	1,129,090	-	1,299,835	1,300,000
Interfund Transfers	300,000	300,000	-	-	540,000
Total Revenues and Other Sources	22,657,493	22,809,822	21,184,638	23,255,186	23,882,634
EXPENDITURES					
General Support	$ 2,020,514	$ 2,114,354	$ 1,950,454	$ 2,008,613	$ 2,104,330
Instruction	10,336,015	10,575,548	9,568,383	11,021,691	11,017,549
Pupil Transportation	1,703,520	1,682,040	1,473,712	1,699,520	1,745,520
Community Services	-	-	-	-	-
Employee Benefits	6,659,817	6,464,053	5,889,739	6,524,049	7,001,565
Debt Service	1,742,627	1,742,627	1,734,776	2,001,313	2,013,670
Total Expenditures	$ 22,462,493	$ 22,578,622	$ 20,617,064	$ 23,255,186	$ 23,882,634
Other Uses:					
Interfund Transfers	195,000	231,200	231,200	-	-
Total Expenditures and Other Uses	22,657,493	22,809,822	20,848,264	23,255,186	23,882,634
Excess (Deficit) Revenues Over Expenditures	-	-	336,374	-	-
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	6,368,822	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 6,705,196	$ -	$ -

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 1,525,562	$ 216,482.77	$ 1,742,044.77
2020	1,557,750	181,439.05	1,739,189.25
2021	1,162,062	137,782.53	1,299,844.73
2022	1,162,062	110,224.40	1,272,286.60
2023	1,142,062	82,642.52	1,224,704.72
2024	1,117,062	55,030.64	1,172,092.84
2025	1,101,313	27,737.51	1,129,050.51
2026	461,313	6,708.75	468,021.75
TOTALS	$ 9,229,187	$ 818,048.16	$ 10,047,235.16

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2004 Construction Serial A Principal	2004 Construction Serial A Interest	2004 Construction Serial A Total	2004 Bus Garage Series B Principal	2004 Bus Garage Series B Interest	2004 Bus Garage Series B Total
2019	$ 385,000	$ 29,437.50	$ 414,437.50	$ 25,000	$ 9,320.00	$ 34,320.00
2020	400,000	15,000.00	415,000.00	25,000	8,170.00	33,170.00
2021	-	-	-	30,000	7,020.00	37,020.00
2022	-	-	-	30,000	5,640.00	35,640.00
2023	-	-	-	30,000	4,260.00	34,260.00
2024	-	-	-	30,000	2,850.00	32,850.00
2025	-	-	-	30,000	1,425.00	31,425.00
TOTALS	$ 785,000	$ 44,437.50	$ 829,437.50	$ 200,000	$ 38,685.00	$ 238,685.00

Fiscal Year Ending June 30th	2011 Energy Performance Contract Principal	2011 Energy Performance Contract Interest	2011 Energy Performance Contract Total	2012 Construction Principal	2012 Construction Interest	2012 Construction Total
2019	$ 143,026	$ 46,805.66	$ 189,831.66	$ 800,000	$ 120,681.25	$ 920,681.25
2020	142,062	40,942.53	183,004.73	820,000	104,481.25	924,481.25
2021	152,062	34,781.28	186,843.48	835,000	87,931.25	922,931.25
2022	157,062	28,321.90	185,384.10	850,000	71,081.25	921,081.25
2023	162,062	21,663.77	183,725.97	870,000	53,881.25	923,881.25
2024	157,062	15,005.64	172,067.84	885,000	36,331.25	921,331.25
2025	166,313	8,446.88	174,759.88	905,000	17,865.63	922,865.63
2026	131,313	2,583.75	133,896.75	330,000	4,125.00	334,125.00
TOTALS	$ 1,210,963	$ 198,551.41	$1,409,514.41	$ 6,295,000	$ 496,378.13	$ 6,791,378.13

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2013 Buses Principal	2013 Buses Interest	2013 Buses Total	2014 Buses Principal	2014 Buses Interest	2014 Buses Total
2019	$ 45,000	$ 450.00	$ 45,450.00	$ 30,000	$ 1,110.00	$ 31,110.00
2020	-	-	-	30,000	390.00	30,390.00
TOTALS	$ 45,000	$ 450.00	$ 45,450.00	$ 60,000	$ 1,500.00	$ 61,500.00

Fiscal Year Ending June 30th	2016 Buses Principal	2016 Buses Interest	2016 Buses Total	2016 Buses Principal	2016 Buses Interest	2016 Buses Total
2019	$ 30,000	$ 1,830.00	$ 31,830.00	$ 40,000	$ 2,975.00	$ 42,975.00
2020	30,000	1,380.00	31,380.00	40,000	2,200.00	42,200.00
2021	30,000	750.00	30,750.00	45,000	1,350.00	46,350.00
2022	-	-	-	45,000	450.00	45,450.00
TOTALS	$ 90,000	$ 3,960.00	$ 93,960.00	$ 170,000	$ 6,975.00	$ 176,975.00

Fiscal Year Ending June 30th	2017 Buses Principal	2017 Buses Interest	2017 Buses Total	2018 Buses Principal	2018 Buses Interest	2018 Buses Total
2019	$ 27,536	$ 3,873.36	$ 31,409.36	$ -	$ -	$ -
2020	30,000	2,385.00	32,385.00	40,688	6,490.27	47,178.27
2021	30,000	2,010.00	32,010.00	40,000	3,940.00	43,940.00
2022	35,000	1,435.00	36,435.00	45,000	3,296.25	48,296.25
2023	35,000	542.50	35,542.50	45,000	2,295.00	47,295.00
2024	-	-	-	45,000	843.75	45,843.75
TOTALS	$ 157,536	$ 10,245.86	$ 167,781.86	$ 215,688	$ 16,865.27	$ 232,553.27

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the District will agree to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, 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 Note, or other material events affecting the tax status of the Notes

(g) modifications to rights of Note holders, if material

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

(m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the 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 material

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

(o) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The 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 District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

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

The 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 District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

Such Financial Report and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CONTENTS

CONTENTS (Continued)

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 10, 2018

The Board of Education of the
Berne Knox Westerlo Central School District:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Berne Knox Westerlo Central School District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

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 Berne Knox Westerlo Central School District as of June 30, 2018, 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.

Change in Accounting Principle
As discussed in Note 16 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other postemployment benefits plan, schedule of proportionate share of net pension liability (asset), schedule of contributions – pension plans be presented to supplement the basic financial statements, and schedule of changes in total OPEB liability and related ratios. 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

Report on Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information required by the New York State Education Department is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

REQUIRED SUPPLEMENTARY INFORMATION

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2018. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This 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

- Government-wide net position of the School District was a deficit of $36,582,717 at June 30, 2018. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of $54,268,233 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

- Government-wide net position was $1,176,266 less than at July 1, 2017. The primary factor contributing to this decrease was the recognition of $1,655,265 in expense related to the district's other postemployment benefits plan.

- The District's 2017-2018 general fund expenditures were less than the budget by approximately $1.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the operation in more detail than the entity-wide statements.

- The governmental fund statements tell how basic services such as instruction and support functions were financed in the short-term, as well as what remains for future spending.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-1: Organization of the District's Annual Financial Report

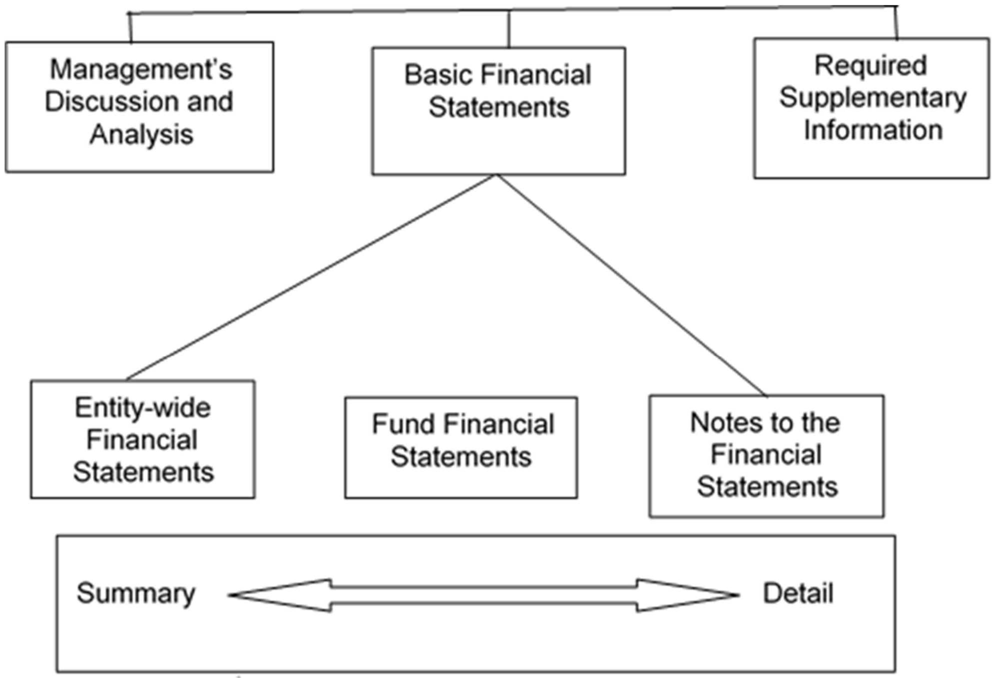


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term.	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide Statements
The District-wide 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 and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets 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.

- For assessment of the overall health of the School District, additional nonfinancial factors, such as changes in the property tax bases and the condition of buildings and other facilities, should be considered.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)
Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated in the governmental fund financial statements. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
    - Net position invested in capital assets.
    - Restricted net position are those with constraints placed on use by external sources or imposed by law.
    - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements
The fund financial statements provide more detailed information about the School District's 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 funds have been established by the State of New York.

The 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 position 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 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 statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

- *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. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position as of June 30, 2018 are as detailed in Tables A-3 and A-4.

Table A-3 Condensed Statement of Net position (In Thousands of Dollars)

	Fiscal Year 2018	Fiscal Year 2017 (Restated)	Percent Change
Current and other assets	$ 8,672	$ 9,040	-4.1%
Non current assets	19,165	19,376	-1.1%
Total assets	27,837	28,416	-2.0%
Deferred outflows of resources	4,760	4,556	4.5%
Current liabilities	2,374	2,525	-6.0%
Long-term liabilities	62,535	65,499	-4.5%
Total liabilities	64,909	68,024	-4.6%
Deferred inflows of resources	4,270	355	100.0%
Net position:			
Investment in capital assets, net of related debt	9,866	9,021	9.4%
Restricted	5,517	5,238	5.3%
Unrestricted	(51,965)	(49,666)	4.6%
Total net position	$ (36,582)	$ (35,407)	3.3%

During 2018, the District's Capital Assets decreased 2.6% primarily as the result of depreciation on the Districts capital assets. This decrease was partially offset by the purchase of new buses.

Changes in Net position
The District's fiscal year 2018 revenue totaled $22,226,904 (see Table A-4). Property taxes and state aid accounted for most of the District's revenue by contributing 49% and 45%, respectively, of every dollar raised (see Table A-5). The remainder came from fees charged for services, tuition for foster students, interest earnings, Medicaid reimbursement, and other miscellaneous sources.

The total cost of all programs and services totaled $23,403,170 in 2018. Approximately 85% of this amount is used predominantly to support general instruction, the provision of services to students with disabilities, and student transportation (see Table A-6). The District's Board of Education, administrative, and business activities accounted for 13% of total costs.

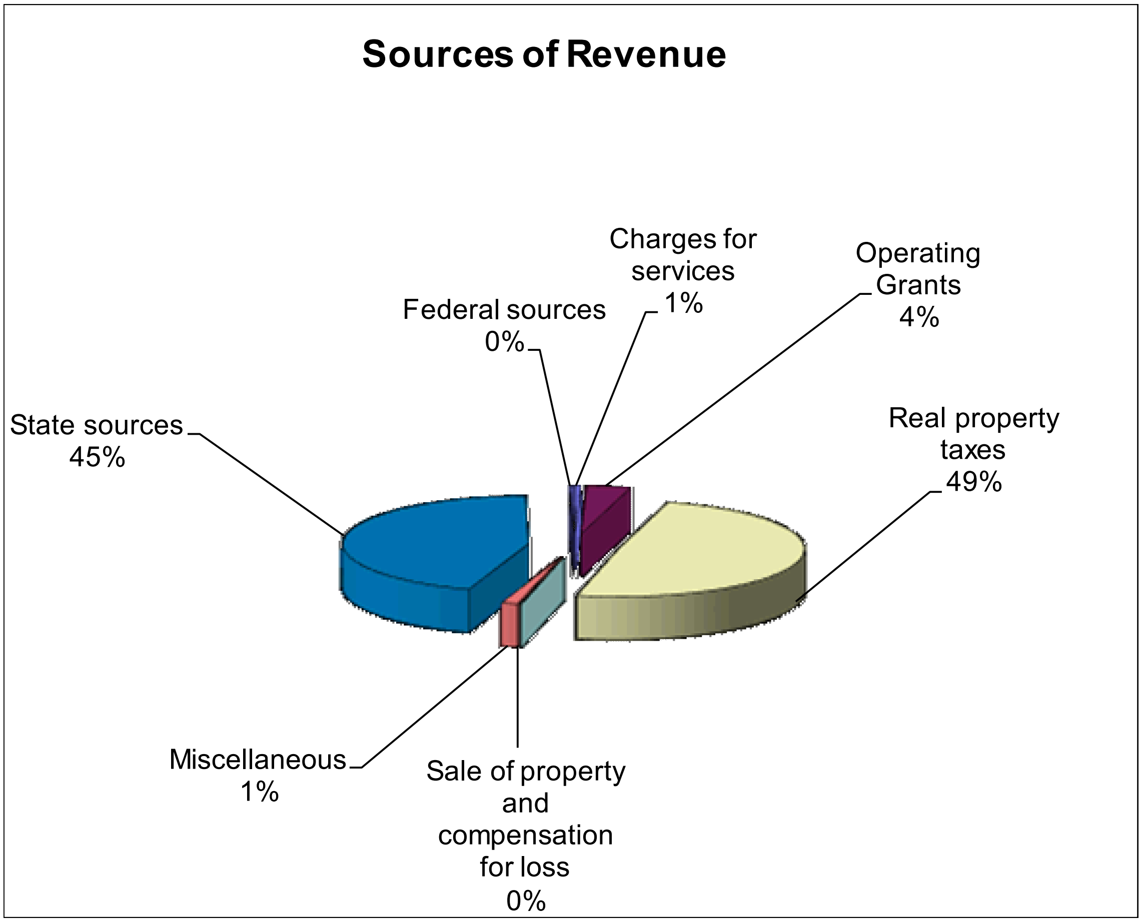
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-4 Changes in Net position from Operating Results (In Thousands of Dollars)

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Revenue			
Charges for services	$ 113	$ 105	7.6%
Operating grants	842	820	2.7%
General revenue:			
Real property taxes	10,965	11,043	-0.7%
Use of money and property	27	32	-15.6%
State sources	9,895	9,821	0.8%
Federal sources	61	41	48.8%
Sale of property/compensation for loss	13	4	100.0%
Miscellaneous	311	212	46.7%
Total revenue	22,227	22,078	0.7%
Expenses			
General support	2,962	3,417	-13.3%
Instruction	17,019	16,393	3.8%
Pupil transportation	2,765	2,682	3.1%
Debt service	232	266	-12.8%
School lunch program	425	406	4.7%
Total expenses	23,403	23,164	1.0%
Change in net position	$ (1,176)	$ (1,086)	8.3%

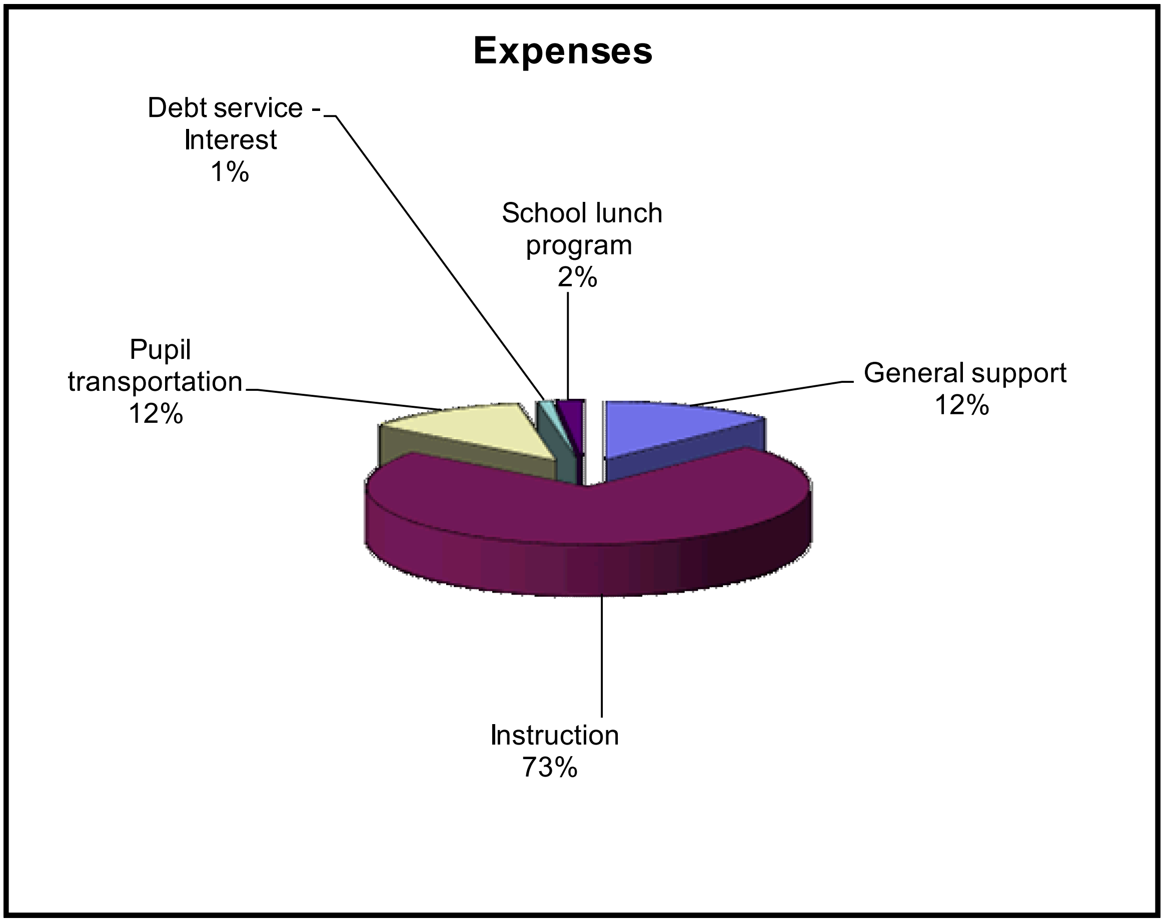
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2018:



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-6 Expenditures for Fiscal Year 2018:



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the District's governmental activities totaled $22,226,904, .7% more than the previous fiscal year. Total expenses equaled $23,403,170, 1% more than the previous fiscal year. The net result of the change in the District's financial condition can be credited to:

- District staff continues to actively pursue grant opportunities through local efforts, state legislative grants, and federal grants.

- Net changes to revenues and expenditures as detailed in the financial highlights, resulted in a favorable increase to fund balance.

Table A-7 presents the cost of five major District activities: instruction, pupil, general support, transportation, debt service, and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7 Net Cost of Governmental Activities

	2018		2017	
Category	Total Cost	Net Cost	Total Cost	Net Cost
General support	$ 2,962	$ 2,962	$ 3,417	$ 3,417
Instruction	17,019	16,337	16,393	15,731
Pupil transportation	2,765	2,765	2,682	2,682
Debt service	232	232	266	266
School lunch	425	153	406	144
Total	$ 23,403	$ 22,449	$ 23,164	$ 22,240

The total cost of all governmental activities this year was $23,403,170.

- The users of the District's programs financed $112,577 of the cost.

- The federal and state governments subsidized certain programs with grants and contributions in the amount of $841,876.

- Most of the District's net costs, $22,448,717, were financed by taxpayers and state aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statement are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

No other significant variances are reflected in the governmental fund financial statements for 2018.

Capital Assets

By the end of 2018, the District had an investment, net of accumulated depreciation of $18,879,057 in a broad range of capital assets.

Table A-8: Capital Assets (net of accumulated depreciation)

Category	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Land	$ 132	$ 132	0.0%
Construction in progress	539	7,575	-92.9%
Buildings and improvements	16,558	9,945	66.5%
Equipment and furniture	1,650	1,724	-4.3%
Total	$ 18,879	$ 19,376	-2.6%

Long-Term Liabilities

At year-end, the District had $64,060,503 of long-term liabilities outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-9: Outstanding Long-Term Liabilities

Category	Fiscal Year 2018	Fiscal Year 2017 (Restated)
General obligation bonds	$ 9,013	$ 10,354
Other post employment benefits	54,268	55,009
Net pension liability - ERS	308	798
Net pension liability - TRS	-	406
Compensated absences	471	430
Total	$ 64,060	$ 66,998

During the year, the District issued new debt of $157,536 of serial bonds to purchase buses.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its future financial health:

- Increase in health insurance, retirement costs, and other post-retirement costs will continue to affect the School District's financial health.
- The continued costs of mandates such as APPR and the common core curriculum under the constraints of the tax cap, which significantly limits the District's ability to raise revenue.
- Consolidation of duties and responsibilities resulting from decreased staffing levels creates challenges in managing the work volume and meeting various deadlines.
- The district will begin a capital project to improve elementary and secondary facilities by addressing Building Condition Survey items, modernizing classroom spaces, and enhancing security measures in the hope of expanding the value of district capital assets. Project bonding is to be coordinated with the elimination of debt from prior projects in order to maintain consistent levels of annual debt service payments.
- The district has optimized current positive economic trends to carefully balance expenses and revenues, resulting in incremental contribution to capital and debt reserves, and positively positioning the district financially for the upcoming project.
- Over the past two years, the district settled collective bargaining agreements with the administrative unit and the teacher's unit, and the teacher support staff unit, as well as extending the contract for the Superintendent. Settlements have stabilized predictability of cost calculation for annual budgeting through 2022.
- New this year, GASB 75 requires all districts to show the total actuarial OPEB liability resulting in an exceptionally large negative government-wide net position for Berne-Knox-Westerlo CSD. Without a state approved reserve, the district does not have a way to fund the liability which will cause the deficit to increase in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Stacy King-McElhiney
Business Manager
Berne Knox Westerlo Central School District Office
1738 Helderberg Trail
Berne, NY 12023

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
CURRENT ASSETS:	
Cash - Unrestricted	$ 1,573,307
Cash - Restricted	6,044,784
State and federal aid receivable	975,154
Accounts receivable	13,556
Due from fiduciary fund	29,140
Inventory	36,533
Total current assets	8,672,474
NON CURRENT ASSETS:	
Capital assets, net	18,879,057
Net pension asset - TRS	286,290
Total non current assets	19,165,347
TOTAL ASSETS	27,837,821
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - ERS pension	918,745
Deferred outflows of resources - TRS pension	3,841,682
Total deferred outflows of resources	4,760,427
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	32,598,248
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	31,085
Accrued interest	28,977
Due to Teachers' Retirement System	671,714
Due to Employees' Retirement System	91,817
Unearned revenue	24,540
Current portion of long term debt	1,525,562
Total current liabilities	2,373,695
LONG-TERM LIABILITIES:	
Bonds payable, net of current portion	7,487,935
Net pension liability - ERS	307,814
Other post-employment benefits	54,268,233
Compensated absences payable	470,959
Total long-term liabilities	62,534,941
TOTAL LIABILITIES	64,908,636
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - ERS pension	1,036,465
Deferred inflows of resources - TRS pension	839,697
Deferred inflows of resources - OPEB	2,396,167
Total deferred inflows of resources	4,272,329
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	69,180,965
NET POSITION	
Investment in capital assets	9,865,560
Restricted	5,517,011
Unrestricted	(51,965,288)
TOTAL NET POSITION	$ (36,582,717)

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenue		Net (Expense) Revenue and Changes in
	Expenses	Charges for Services	Operating Grants	Net Position
FUNCTIONS/PROGRAMS:				
General support	$ 2,962,012	$ -	$ -	$ (2,962,012)
Instruction	17,019,223	10,675	671,807	(16,336,741)
Pupil transportation	2,764,789	-	-	(2,764,789)
Debt service - Interest	232,227	-	-	(232,227)
School lunch program	424,919	101,902	170,069	(152,948)
TOTAL FUNCTIONS AND PROGRAMS	$ 23,403,170	$ 112,577	$ 841,876	(22,448,717)
GENERAL REVENUE:				
Real property taxes				10,965,256
Use of money and property				26,547
Sale of property and compensation for loss				13,212
Miscellaneous				311,155
State sources				9,894,949
Medicaid				61,332
TOTAL GENERAL REVENUE				21,272,451
CHANGE IN NET POSITION				(1,176,266)
TOTAL NET POSITION - beginning of year, as previously reported				2,554,847
PRIOR PERIOD ADJUSTMENT (Note 16)				(37,961,298)
NET POSITION - beginning of year, as restated				(35,406,451)
TOTAL NET POSITION - end of year				$ (36,582,717)

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2018

	Governmental Fund Types						
	General	Special Aid	School Lunch	Miscellaneous Revenue	Capital Projects	Debt Service	Total Governmental Funds
ASSETS							
Cash - Unrestricted	$ 1,480,753	$ 12,260	$ 80,294	$ -	$ -	$ -	$ 1,573,307
Cash - Restricted	4,314,388	-	-	58,294	45,506	1,626,596	6,044,784
Accounts receivable	12,667	-	889	-	-	-	13,556
Due from other funds	1,099,170	-	-	-	93,727	-	1,192,897
State and federal aid receivable	576,557	398,597	-	-	-	-	975,154
Inventory	-	-	36,533	-	-	-	36,533
TOTAL ASSETS	$ 7,483,535	$ 410,857	$ 117,716	$ 58,294	$ 139,233	$ 1,626,596	$ 9,836,231
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	$ 14,808	$ 15,242	$ 241	$ 794	$ -	$ -	$ 31,085
Due to other funds	-	376,952	118,101	-	668,704	-	1,163,757
Due to Teachers' Retirement System	671,714	-	-	-	-	-	671,714
Due to Employees' Retirement System	91,817	-	-	-	-	-	91,817
Unearned revenue	-	18,663	5,877	-	-	-	24,540
TOTAL LIABILITIES	778,339	410,857	124,219	794	668,704	-	1,982,913
FUND BALANCES							
Non-spendable							
Inventory	-	-	36,533	-	-	-	36,533
Restricted							
Unemployment	141,973	-	-	-	-	-	141,973
Employee benefits	423,973	-	-	-	-	-	423,973
Tax reduction	14,490	-	-	-	-	-	14,490
Retirement contributions	911,424	-	-	-	-	-	911,424
Debt service	37,690	-	-	-	-	1,626,596	1,664,286
Capital projects	2,784,838	-	-	-	-	-	2,784,838
Total restricted fund balance	4,314,388	-	-	-	-	1,626,596	5,940,984
Assigned							
Other Assigned	160,930	-	-	57,500	-	-	218,430
Appropriated for subsequent years expenditures	1,300,000	-	-	-	-	-	1,300,000
Total assigned fund balance	1,460,930	-	-	57,500	-	-	1,518,430
Unassigned	929,878	-	(43,036)	-	(529,471)	-	357,371
TOTAL FUND BALANCES	6,705,196	-	(6,503)	57,500	(529,471)	1,626,596	7,853,318
TOTAL LIABILITIES AND FUND BALANCES	$ 7,483,535	$ 410,857	$ 117,716	$ 58,294	$ 139,233	$ 1,626,596	$ 9,836,231

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above.	$ 7,853,318
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,879,057
GASB 68 related government wide activity	
Deferred outflows of resources	4,760,427
Net pension liability - ERS	(307,814)
Net pension asset - TRS	286,290
Deferred inflows of resources	(4,272,329)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,484,456)
Other post employment benefits liability	(54,268,233)
Interest payable at year end, in the government-wide statements under full accrual accounting.	(28,977)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (36,582,717)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Fund Types						
	General	Special Aid	School Lunch	Miscellaneous Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUE:							
Real property taxes	$ 10,965,256	$ -	$ -	$ -	$ -	$ -	$ 10,965,256
Charges for services	10,675	-	-	-	-	-	10,675
Use of money and property	21,737	-	25	-	34	4,751	26,547
Sale of property and compensation for loss	13,212	-	-	-	-	-	13,212
Miscellaneous	217,477	7,832	7,761	78,085	-	-	311,155
State sources	9,892,100	292,563	5,865	-	-	-	10,190,528
Federal sources	2,849	379,244	164,204	-	-	-	546,297
Medicaid reimbursement	61,332	-	-	-	-	-	61,332
Sales - School lunch	-	-	101,902	-	-	-	101,902
Total revenue	21,184,638	679,639	279,757	78,085	34	4,751	22,226,904
EXPENDITURES:							
General support	1,950,454	-	-	76,722	-	-	2,027,176
Instruction	9,568,383	638,979	-	-	-	-	10,207,362
Pupil transportation	1,473,712	96,860	-	-	-	-	1,570,572
Employee benefits	5,889,739	-	84,245	-	-	-	5,973,984
Debt service - Principal	1,498,486	-	-	-	-	-	1,498,486
Debt service - Interest	236,290	-	-	-	-	-	236,290
Cost of sales	-	-	263,461	-	-	-	263,461
Capital outlay	-	-	-	-	800,158	-	800,158
Total expenditures	20,617,064	735,839	347,706	76,722	800,158	-	22,577,489
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	567,574	(56,200)	(67,949)	1,363	(800,124)	4,751	(350,585)
OTHER SOURCES AND (USES):							
Proceeds from bonds	-	-	-	-	157,536	-	157,536
Operating transfers in	-	56,200	75,000	-	100,000	-	231,200
Operating transfers (out)	(231,200)	-	-	-	-	-	(231,200)
Total other sources (uses)	(231,200)	56,200	75,000	-	257,536	-	157,536
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	336,374	-	7,051	1,363	(542,588)	4,751	(193,049)
FUND BALANCES - beginning of year	6,368,822	-	(13,554)	56,137	13,117	1,621,845	8,046,367
FUND BALANCES - end of year	$ 6,705,196	$ -	$ (6,503)	$ 57,500	$ (529,471)	$ 1,626,596	$ 7,853,318

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balance - Total governmental funds	$ (193,049)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position, net of disposals.	813,969
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(1,284,459)
Loss on disposal capital assets is not recorded in the governmental funds, but is recorded in the statement of activities	(26,108)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(135,868)
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(157,536)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	1,498,486
Other postemployment benefits expense resulting from GASB 75 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the Statement of Activities	(1,655,265)
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	4,063
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	(40,499)
Change in net position - Governmental activities	$ (1,176,266)

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trusts	Agency
ASSETS:		
Cash	$ -	$ 283,466
Cash - restricted	25,387	14,892
Total assets	$ 25,387	$ 298,358
LIABILITIES:		
Extraclassroom activity balances	$ -	$ 14,892
Other liabilities		254,326
Due to other funds	-	29,140
Total liabilities	$ -	$ 298,358
NET POSITION:		
Reserved for private purposes	$ 25,387	

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trusts
ADDITIONS:	
Contributions	$ 8,551
Interest	13
Total additions	8,564
DEDUCTIONS:	
Scholarships and other private purposes	7,525
CHANGE IN NET POSITION	1,039
NET POSITION - beginning of year	24,348
NET POSITION - end of year	$ 25,387

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

Berne Knox Westerlo Central School District provides free K-12 public education to students living within its geographic borders.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Berne Knox Westerlo Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity
The Berne Knox Westerlo Central School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles. The financial reporting entity consists of the primary government, 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 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 following is a brief description of a certain entity included in the School District's reporting entity.

Extraclassroom Activity Funds
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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture
The School District is a component school district in Albany-Schoharie-Schenectady Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. 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 New York State General Municipal Law.

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 the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

Financial statements for the BOCES are available from the BOCES administrative office.

Basis of Presentation
The School District's financial statements consist of school district-wide financial statements, including a Statement of Net position and a Statement of Activities, and fund level financial statements which provide more detailed information.

School District-Wide 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 revenue, and other exchange and non-exchange 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 revenue 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. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements
The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)
The fund 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 fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its position, liabilities, fund balances, revenues, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School are as follows:

Governmental Fund Types
Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

- *General Fund* - This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

- *Special Aid Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *School Lunch Fund -* This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *Miscellaneous Revenue Fund* - This fund is used to account for third party contributions in which principal and income benefits the District for a specific purpose set forth by the donor.

- *Capital Projects Funds* - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

- *Debt Service Fund* - This fund accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Fund Types
These funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

- *Fiduciary Fund* - This fund is used to account for fiduciary activities. 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 School District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types (Continued)

- There are two types of fiduciary funds:

  Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

  Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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 dates of the financial statements and the reported revenue 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.

Measurement Focus and Basis of Accounting
Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

The School District's cash consists 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 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. 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.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $6,044,784 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Inventories

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 market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Interfund transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all significant interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets
Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

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 School District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 2,500	N/A	N/A
Buildings and improvements	$ 2,500	SL	50
Furniture and equipment	$ 2,500	SL	5-10
Buses	$ 2,500	SL	8

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

The government has the following items that qualifies for reporting in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

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

The government has the following item that qualifies for reporting in this category;

The net amount of the District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits

School District employees are granted vacation 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.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with generally accepted accounting principles, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Retirement Benefits

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

Other Post-Employment Benefits

In addition to providing the pension benefits described, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District.

Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care 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.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises 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 both recognition criteria are met, or when the School District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net position.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

District-Wide Statements

In the District-wide statements, there are three classes of net position:

Investment in capital assets – consists of net capital assets (cost less accumulated depreciation and unspent bond proceeds related to capital projects) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unemployment	$ 141,973
Tax reduction	14,490
Retirement contributions	911,424
Debt service	1,664,286
Capital projects	2,784,838
Total restricted net position	$ 5,517,011

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital
Capital reserve (Education Law §3651) is 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 reserve 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 reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation
Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty 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. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance
Unemployment insurance reserve (GML §6-m) is 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 sixty 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 under restricted fund balance.

Debt Service
Mandatory reserve for debt service (GML §6-l) is 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. The reserve is accounted for in the general fund and debt service under restricted fund balance.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Property Loss Reserve and Liability Reserve

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or $15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is 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. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee 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. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is 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 operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to $160,930. As of June 30, 2018, the School District's encumbrances within the General Fund were classified as follows:

Assigned Fund Balance:		
General Support	$	18,497
Instruction		121,656
Transportation		19,456
Employee Benefits		1,321
Total encumbrances	$	160,930

The district also has assigned fund balance of $57,500 in the miscellaneous revenue fund for miscellaneous purposes.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities
Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities
Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**
  Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

- **Capital Related Differences**
  Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

- **Long-Term Debt Transaction Differences**
  Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
The District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law).

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)
These 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 District had no supplemental appropriations during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Fund Balance
Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

5. CASH

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 District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

As of June 30, 2018, the District's aggregate bank balances (disclosed in the financial statements), included balance not covered by depository insurance at year-end, collateralized as follows:

	Bank Balance	Carrying Amount
Cash, including trust funds	$ 8,522,723	$ 7,941,836
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	$ 8,022,723	
Covered by FDIC insurance	500,000	
Total	$ 8,522,723	

5. **CASH** (Continued)

Restricted cash represents cash and cash equivalents where used is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund:	
Cash on deposit for reserves	
Unemployment	$ 141,973
Employee benefits	423,973
Tax reduction	14,490
Retirement contributions	911,424
Mandatory	37,690
Capital projects	2,784,838
Total general fund restricted cash	$ 4,314,388
Capital projects fund:	
Cash on deposit for voter approved capital projects	$ 45,506
Miscellaneous revenue fund:	
Cash on deposit for miscellaneous purposes	$ 58,294
Debt service fund:	
Cash on deposit for debt service	$ 1,626,596
Trust and agency fund:	
Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	$ 40,279

6. **PARTICIPATION IN BOCES**

During the year, the School District was billed $2,099,411 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to $703,977.

Financial statements for BOCES are available from the BOCES administrative office.

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	July 1, 2017 Balance	Additions	Deletions	June 30, 2018 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 131,863	$ -	$ -	$ 131,863
Construction in progress	7,574,604	538,704	7,574,604	538,704
Total non-depreciable cost	$ 7,706,467	$ 538,704	$ 7,574,604	$ 670,567
Capital assets that are depreciated:				
Buildings and improvements	$ 16,978,652	$ 7,574,604	$ -	$ 24,553,256
Furniture and equipment	6,029,356	275,265	200,442	6,104,179
Total depreciable historical cost	23,008,008	7,849,869	200,442	30,657,435
Less accumulated depreciation:				
Buildings and improvements	7,033,400	961,533	-	7,994,933
Furniture and equipment	4,305,420	322,926	174,334	4,454,012
Total accumulated depreciation	11,338,820	1,284,459	174,334	12,448,945
Total depreciable cost, net	$ 11,669,188	$ 6,565,410	$ 26,108	$ 18,208,490

Depreciation expense of $1,284,459 for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	$ 128,446
Instruction	963,344
Transportation	166,980
Cost of goods sold	25,689
Total Depreciation	$ 1,284,459

8. SHORT-TERM DEBT

The School District may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 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.

8. **SHORT-TERM DEBT** (Continued)

The School District may issue bond anticipation notes (BAN) 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 District had no short-term debt for the year.

9. **LONG-TERM DEBT**

Interest on long term debt for the year was composed of:

Interest paid	$ 236,290
Less: interest accrued in prior year	(33,040)
Plus: interest accrued in current year	28,977
Total expense	$ 232,227

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

	Restated Beginning Balance	Issued		Redeemed	Ending Balance	Amounts Due Within One Year
Government activities						
Bonds and notes payable:						
General obligation debt:						
Serial bonds payable	$ 9,003,932	$ 157,536		$ 1,358,932	$ 7,802,536	$ 1,382,536
Energy Bond	1,350,515	-		139,554	1,210,961	143,026
Total bonds and notes payable	10,354,447	157,536		1,498,486	9,013,497	1,525,562
Other liabilities:						
Other post employment benefits	55,009,135	3,963,533		4,704,435	54,268,233	-
Net Pension Liability - ERS	798,296	-	{A}	490,482	307,814	-
Net Pension Liability - TRS	405,757	-	{A}	405,757	-	-
Compensated absences	430,460	40,499	{A}	-	470,959	-
Total other liabilities	56,643,648	4,004,032		5,600,674	55,047,006	-
Total long-term liabilities	$ 66,998,095	$ 4,161,568		$ 7,099,160	$ 64,060,503	$ 1,525,562

{A} Additions and deletions to compensated absences and the net pension liability – ERS are shown net because it is impractical to determine these amounts separately.

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the liability for the defeased bonds still outstanding at June 30, 2018 and the trust account assets are not included in the financial statements.

9. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2018 Balance
Serial Bond - Construction	2004	2020	3.70-3.75%	$ 785,000
Serial Bond - Construction	2002	2025	2.75-4.00%	200,000
Serial Bond - Construction	2012	2026	2.00-2.125%	6,295,000
Serial Bond - Buses	2014	2019	2.00%	45,000
Serial Bond - Buses	2015	2020	1.00-2.60%	60,000
Serial Bond - Buses	2016	2021	.50-2.50%	90,000
Serial Bond - Buses	2016	2021	1.875%-2.0%	170,000
Serial Bond - Buses	2017	2022	.50-2.50%	157,536
Energy Bond	2013	2026	2.460%	1,210,961
Total				$ 9,013,497

The following is a summary of the maturities of bonds payable:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 1,525,562	$ 200,751	$ 1,726,313
2020	1,521,585	161,521	1,683,106
2021	1,120,232	122,929	1,243,161
2022	1,113,969	98,737	1,212,706
2023	1,092,800	74,983	1,167,783
2024-2026	2,639,349	87,547	2,726,896
Totals	$ 9,013,497	$ 746,468	$ 9,759,965

10. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	$ 1,099,170	$ -	$ -	$ 231,200
Special aid fund	-	376,952	56,200	-
School lunch fund	-	118,101	75,000	-
Capital fund	93,727	668,704	100,000	-
Fiduciary funds	-	29,140	-	-
Total governmental activities	$ 1,192,897	$ 1,192,897	$ 231,200	$ 231,200

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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.

11. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an 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 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.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018	$	328,713
2017	$	326,347
2016	$	356,791

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

11. **PENSION PLANS** (Continued)

New York State Employees' Retirement System (Continued)

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.

- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. All amounts due were remitted in full to NYSERS. No portion of the District's retirement bill was amortized or bonded as of June 30, 2018.

Inflows of Resources Related to Pensions
At June 30, 2018, the District reported a liability of $307,814 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the District's proportion was 0.0095374%, which was an increase of .0010415% from its proportion measured June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred
For the year ended June 30, 2018, the District recognized pension expense of $370,550. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 109,787	$ 90,724
Changes of Assumptions	204,106	-
Net difference between projected and actual earnings on pension plan investments	447,076	882,482
Changes in proportion and differences between the District's contributions and proportionate share of contributions	65,958	63,259
Contributions subsequent to the measurement date	91,818	-
	$ 918,745	$ 1,036,465

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

$91,818 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:		
2019	$	64,490
2020		55,493
2021		(227,805)
2022		(101,716)
2023		-
Thereafter		-
	$	(209,538)

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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 equities and fixes income as well as historical investment data and plan performance.

11. **PENSION PLANS** (Continued)

New York State Employees' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.55%
Absolute Return Strategies	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Assets	3.0%	5.29%
Bonds and Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed Bonds	4.0%	1.25%
	100%	

Discount Rate

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

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

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

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

	1 % Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension liability (asset)	$ 2,329,005	$ 307,814	$ (1,402,032)

11. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	$ 183,400,590,000	$ 17,491,648	0.0095374%
Net position	(180,173,145,000)	(17,183,834)	0.0095374%
Net pension liability (asset)	$ 3,227,445,000	$ 307,814	0.0095374%
Fiduciary net position as a percentage of total pension liability	98.2%	98.2%	

New York State Teacher Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2018	$	699,523
2017	$	775,171
2016	$	994,622

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

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

At June 30, 2018, the District reported an asset of $286,290 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018 the District's proportion was 0.0376650%, which was a decrease of .0002190% from its proportion measured June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $701,781. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 235,546	$ 111,621
Changes of Assumptions	2,913,055	-
Net difference between projected and actual earnings on pension plan investments	-	674,295
Changes in proportion and differences between the District's contributions and proportionate share of contributions	21,367	53,781
Contributions subsequent to the measurement date	671,714	-
	$ 3,841,682	$ 839,697

$671,714 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2018	$ 62,766
2019	767,221
2020	548,044
2021	133,432
2022	546,440
Thereafter	272,368
	$ 2,330,271

11. PENSION PLANS (Continued)

New York State Teacher's Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

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

Projected COLAs	1.50% compounded annually
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long Term Expected Rate of Return

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic Equity	35.0%	5.90%
International Equity	18.0%	7.40%
Real Estate	11.0%	4.30%
Private Equities	8.0%	9.00%
Domestic Fixed Income Securities	16.0%	1.60%
Global Fixed Income Securities	2.0%	1.30%
High-Yield Fixed Income Securities	1.0%	3.90%
Mortgages	8.0%	2.80%
Short-term	1.0%	0.60%
	100%	

11. PENSION PLANS (Continued)

New York State Teacher's Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension asset was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the districts calculated using the discount rate of 7.25 percent, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

	1 % Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension liability (asset)	$ 4,931,926	$ (286,290)	$ (4,656,287)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	$ 114,708,261,032	$ 43,204,867	0.0376650%
Net position	(115,468,360,316)	(43,491,157)	0.0376650%
Net pension liability (asset)	$ (760,099,284)	$ (286,290)	0.0376650%
Fiduciary net position as a percentage of total pension liability	100.66%	100.66%	

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At July 1, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	139
Inactive employees entitled to but not yet receiving benefits	-
Active employees	177
Total participants	316

Total OPEB Liability

The District's total OPEB liability of $54,268,233 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Real Wage Growth	1.00%
Wage Inflation	3.20%
Discount Rate	3.87%
Healthcare Cost Trend Rates	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078
Share of Benefit-Related Costs	Varies based on applicable bargaining unit

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on April 1, 2010 to March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated		$ 55,009,135
Changes for the Year		
	Service cost	2,029,182
	Interest	1,934,351
	Changes of benefit terms	-
	Changes in assumptions or other inputs	(2,750,457)
	Differences between expected and actual experience	-
	Benefit payments	(1,953,978)
	Net changes	(740,902)
Balance at June 30, 2018		$ 54,268,233

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2017 to 3.87% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.87%)	Current Discount (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 46,408,083	$ 54,268,233	$ 65,991,335

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease (4.50%)	Current Discount (5.50%)	1% Increase (6.50%)
Total OPEB Liability	$ 45,747,973	$ 54,268,233	$ 67,036,509

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,655,265. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 2,396,167
Benefit payments subsequent to measurement date	-	-
Total	$ -	$ 2,396,167

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June	Amount
2019	$ (354,290)
2020	(354,290)
2021	(354,290)
2022	(354,290)
2023	(354,290)
Thereafter	(624,717)
	$ (2,396,167)

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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 two years.

The School District does not purchase insurance for the risk of losses for unemployment and workers' compensation claims. Instead, the School District manages its risks for these losses internally and accounts for these in the School District’s general fund, including provisions for unexpected and unusual claims.

Claims are recognized as expenditures when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2018, management estimates there are no outstanding claims liabilities.

14. CONTINGENCIES AND COMMENTS

General Information
The School District has received grants which are subject to audit by agencies of the 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.

The School District has various commitments with contractors for the completion of capital projects.

15. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

16. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, Beginning Net Position and Other Postemployment Benefits on the Statement of Net Position were adjusted as noted in the following table:

	District-Wide Statement of Net	
	Other Postemployment Benefits	Net Position
Balance at June 30, 2017, as previously reported	$ 17,047,837	$ 2,554,847
Restatement of beginning balance - Adoption of GASB Statement No. 75		
Increase to liability	37,961,298	(37,961,298)
Balance at June 30, 2017, as restated	$ 55,009,135	$ (35,406,451)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
LOCAL SOURCES:					
Real property taxes	$ 10,955,924	$ 10,955,924	$ 10,965,256	$ -	$ 9,332
Charges for services	20,000	20,000	10,675	-	(9,325)
Use of money and property	27,500	27,500	21,737	-	(5,763)
Sale of property and compensation for loss	500	500	13,212	-	12,712
Miscellaneous	95,000	95,000	217,477	-	122,477
Total local sources	11,098,924	11,098,924	11,228,357	-	129,433
State sources	10,005,808	10,005,808	9,892,100	-	(113,708)
Federal sources	-	-	2,849	-	2,849
Medicaid reimbursement	45,000	45,000	61,332	-	16,332
Total revenue	21,149,732	21,149,732	21,184,638	-	34,906

(Continued)

The accompanying notes are an integral part of these schedules.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	$ 25,050	$ 41,217	$ 40,529	$ -	$ 688
Central administration	204,850	204,850	196,196	-	8,654
Finance	276,510	330,648	324,959	-	5,689
Staff	144,204	125,945	123,900	-	2,045
Central services	1,188,900	1,230,969	1,102,714	18,497	109,758
Special items	181,000	180,725	162,156	-	18,569
Total general support	2,020,514	2,114,354	1,950,454	18,497	145,403
INSTRUCTION:					
Instruction, administration, and improvement	614,500	652,862	652,862	-	-
Teaching - Regular school	4,706,700	4,791,744	4,787,798	3,945	1
Programs for children with handicapping conditions	2,978,495	3,061,681	2,274,504	111,054	676,123
Occupational education	680,000	680,000	630,522	-	49,478
Teaching - Special school	22,000	22,000	15,492	-	6,508
Instructional media	522,780	550,935	518,527	-	32,408
Pupil services	811,540	816,326	688,678	6,657	120,991
Total instruction	10,336,015	10,575,548	9,568,383	121,656	885,509
Pupil transportation	1,703,520	1,682,040	1,473,712	19,456	188,872
Employee benefits	6,659,817	6,464,053	5,889,739	1,321	572,993
Debt service - Principal	1,498,487	1,499,187	1,498,486	-	701
Debt service - Interest	244,140	243,440	236,290	-	7,150
Total expenditures	22,462,493	22,578,622	20,617,064	160,930	1,800,628
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	300,000	300,000	-	-	300,000
Transfers to other funds	(195,000)	(231,200)	(231,200)	-	-
Total other financing sources (uses)	105,000	68,800	(231,200)	-	300,000
Total expenditures and other financing sources (uses)	22,357,493	22,509,822	20,848,264	$ 160,930	$ 1,500,628
NET CHANGE IN FUND BALANCES	(1,207,761)	(1,360,090)	336,374		
FUND BALANCE - beginning of year	6,368,822	6,368,822	6,368,822		
FUND BALANCE - end of year	$ 5,161,061	$ 5,008,732	$ 6,705,196		

The accompanying notes are an integral part of these schedules.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	$ 2,029,182									
Interest	1,934,351									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes in assumptions	(2,750,457)									
Benefit payments	(1,953,978)									
Total change in total OPEB liability	(740,902)									
Total OPEB liability - beginning	55,009,135									
Total OPEB liability - ending	$ 54,268,233									
Covered-employee payroll	$ 9,159,843									
Total OPEB liability as a percentage of covered-employee payroll	592.5%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.58%

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078 and beyond.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0095374%	0.0084959%	0.0089774%	0.0086329%						
Proportionate share of the net pension liability (asset)	$ 307.8	$ 798.3	$ 1,440.9	$ 291.6						
Covered-employee payroll	$ 2,537.7	$ 2,150.8	$ 2,336.5	$ 2,270.2						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.13%	37.12%	61.67%	12.85%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	97.95%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

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Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0376650%	0.0378840%	0.0377720%	0.0357450%						
Proportionate share of the net pension liability (asset)	$ (286.3)	$ 405.8	$ (3,923.3)	$ (3,981.7)						
Covered-employee payroll	$ 6,289.7	$ 5,968.6	$ 5,845.9	$ 5,673.8						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.55%	6.80%	-67.11%	-70.18%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

The accompanying notes are an integral part of these schedules.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 328.7	$ 326.3	$ 356.8	$ 431.4						
Contributions in relation to the contractually required contribution	328.7	326.3	356.8	431.4						
Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
Covered-employee payroll	$ 2,538	$ 2,151	$ 2,337	$ 2,270						
Contributions as a percentage of covered-employee payroll	12.95%	15.17%	15.27%	19.00%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 699.5	$ 775.2	$ 994.6	$ 858.0						
Contributions in relation to the contractually required contribution	699.5	775.2	994.6	858.0						
Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
Covered-employee payroll	$ 6,290	$ 5,969	$ 5,846	$ 5,674						
Contributions as a percentage of covered-employee payroll	11.12%	12.99%	17.01%	15.12%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION (UNAUDITED)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 22,657,493
Add: Prior year's encumbrances	152,326
Original budget	22,809,819
Budget revision	3
Final budget	$ 22,809,822

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION- GENERAL FUND

2018-19 voter-approved expenditure budget	$ 23,255,186	
Maximum allowed (4% of 2018-19 budget)		$ 930,207
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	$ 6,705,196	
Less:		
Committed fund balance	$ -	
Restricted fund balance	4,314,388	
Assigned fund balance:		
Appropriated fund balance	1,300,000	
Encumbrances included in committed and assigned fund balance	160,930	
Total adjustments	$ 5,775,318	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 929,878
Actual percentage		4.00%

*Per Office of the State Comptroller's "Fund Balance and Governmental Fund Type Definitions", Updated April 2011 (Originally issued November 2010), the portion of fund balance subject to Section 1318 of the Real Property Tax Law is : unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classification), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

			Expenditures			
Project Title	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance
District-wide - Buses	$ -	$ 261,452	$ -	$ 261,452	$ 261,452	$ -
District-wide Construction	-	-	-	538,706	538,706	(538,706)
	$ -	$ 261,452	$ -	$ 800,158	$ 800,158	$ (538,706)

The accompanying notes are an integral part of these schedules.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT (UNAUDITED)
JUNE 30, 2018

Capital assets, net		$ 18,879,057
Deduct:		
Bond anticipation notes	-	
Premium on bonds payable	-	-
Short-term portion of bonds payable	1,525,562	
Long-term portion of bonds payable	7,487,935	
Less: Unspent bond proceeds	-	9,013,497
Investment in capital assets, net of related debt		$ 9,865,560

The accompanying notes are an integral part of these schedules.

REQUIRED REPORT

Bonadio & Co., LLP
Certified Public Accountants

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

October 10, 2018

To the Board of Education
Berne Knox Westerlo Central School District:

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 Berne Knox Westerlo Central School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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(Continued)

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 instance 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.