PRELIMINARY OFFICIAL STATEMENT DATED JUNE 11, 2019

NEW / RENEWAL ISSUE **BOND ANTICIPATION NOTES**

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

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

$1,282,000

PENN YAN CENTRAL SCHOOL DISTRICT

YATES, ONTARIO, AND STEUBEN COUNTIES, NEW YORK

GENERAL OBLIGATIONS

$1,282,000 Bond Anticipation Notes, 2019 (Series A)

(referred to herein as the "Notes")

Dated: July 5, 2019 **Due: July 3, 2020**

The Notes are general obligations of the Penn Yan Central School District, Yates, Ontario, and Steuben Counties, New York (the "District"), 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 "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein. **The Notes will not be subject to redemption prior to maturity**.

At the option of the Purchaser, the Notes will be issued as registered 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, except for a necessary odd denomination which is or includes $7,000, as may be determined by such successful bidder.

Alternatively, if the Notes are issued as registered 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 elects to register the Notes. Such Notes will be issued in denominations of $5,000 or integral multiples thereof, except for a necessary odd denomination which is or includes $7,000, as may be determined by such successful bidder. If the Notes are issued as registered 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 and subject to the receipt of an approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel to the District, Syracuse, 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 agreed upon with the purchaser, on or about July 5, 2019.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on June 20, 2019 no later than 11:00 A.M. EDT. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. No bid will be received after the time for receiving bids specified above. 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 __, 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 BIDDERS, AS MORE FULLY DESCRIBED IN THE NOTICES OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES AS DESCRIBED IN THE RULE, SEE " APPENDIX C - MATERIAL EVENTS NOTICE" HEREIN.

PENN YAN CENTRAL SCHOOL DISTRICT
YATES, ONTARIO AND STEUBEN COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

DAVID WILLSON
President

ROBIN JOHNSON
Vice President

PHYLLIS BACHER
RENEE BLOOM
EMILY DINEHART
LESLIE ELLIOT
KATHY GUENTHER
JEFFREY MOREHOUSE
ALICEN YONTS

* * * * *

HOWARD DENNIS
Superintendent of Schools

CATHLEEN MILLIMAN
Assistant Superintendent for Business

KATHLEEN M. DEAN
School District Clerk

KIM FITZGERALD
School District Treasurer

FERRARA FIORENZA PC
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

No person has been authorized by Penn Yan 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 Penn Yan Central School District.

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051
www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

PENN YAN CENTRAL SCHOOL DISTRICT

YATES, ONTARIO, AND STEUBEN COUNTIES, NEW YORK

Relating To

$1,282,000 Bond Anticipation Notes, 2019 (Series A)

This Official Statement, which includes the cover page and appendices, has been prepared by the Penn Yan Central School District, Yates, Ontario, and Steuben Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the School District of $1,282,000 Bond Anticipation Notes, 2019 (Series A) (herein referred to as 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.

THE NOTES

Description of the Notes

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

The Notes will be dated July 5, 2019 and will mature, without option of prior redemption, on July 3, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity. The District will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser.

The Notes will be issued in registered form at the option of the Purchaser(s) either (i) registered in the name of the purchaser, or (ii) 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.

No Optional Redemption

The Notes shall not be subject to redemption prior to maturity.

Purpose of Issue

The Notes are issued pursuant to the Constitution and Status of the State of New York, including among others, the Education Law and the Local Finance Law and various bond resolutions adopted by the Board of Education authorizing acquisition of school buses for said District.

The proceeds of the Notes, along with $406,000 available funds, will redeem $1,233,000 bond anticipation notes maturing on July 5, 2019, and will also provide $455,000 in new monies for the aforementioned purpose.

Nature of the Obligations

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, subject to applicable statutory limitations.

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.

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

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 discontinued, the following provisions will apply:

The Notes will be registered in the name of the purchaser in denominations of $5,000 or integral multiples thereof, except for a necessary odd denomination which is or includes $7,000. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank(s) or trust company(ies) located and authorized to do business in the State of New York to be named 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 Village of Penn Yan and serves the Towns of Barrington, Benton, Geneva, Jerusalem, Milo, Potter, Pulteney, Seneca and Torrey, as well as the Counties of Yates, Ontario and Steuben.

The Village of Penn Yan (the "Village") is located in the heart of the Finger Lakes Region, approximately 50 miles southeast of Rochester, 45 miles north of Elmira and 55 miles southwest of Syracuse, at the northeast end of Keuka Lake.

Hospital, banking and utility facilities are available to the residents of the District. Police and fire protection are also provided.

Recreational activities in the area include swimming, camping and boating.

Institutions of higher education in the surrounding area include Keuka College, Finger Lakes Community College, Hobart and William Smith Colleges and many colleges and universities located in the Ithaca, Elmira, Rochester and Syracuse areas.

Recent Economic Developments

In October 2018, it was reported that the Village will receive $10 million in funding as the Finger Lakes winner of the third round of the State's Downtown Revitalization Initiative ("DRI"). Participating communities are nominated by the State's ten Regional Economic Development Councils (REDCs) based on their downtown's potential for transformation, and each community is awarded $10 million to develop a downtown strategic investment plan and implement key catalytic projects that advance the community's vision for revitalization. As in the first two rounds of the DRI, one municipality from each of the State's 10 regional economic development regions is selected as a $10 million winner. The $100 million in Statewide funding and investments is to help communities boost their economies by transforming downtowns into vibrant neighborhoods where the next generation of New Yorkers will want to live, work, and raise a family. The DRI planning effort for downtown Penn Yan is expected to focus on promoting sustained, year-round economic growth by concentrating on four areas: (i) leveraging the abundant natural assets, (ii) capitalizing on the growing craft food and beverage industry, (iii) using the local art scene as an economic engine, and (iv) capturing the intellectual capital that lives and vacations in Penn Yan. A Local Planning Committee made up of municipal representatives, community leaders, and other stakeholders will lead the effort, supported by a team of private sector experts and state planners. The Strategic Investment Plan for downtown Penn Yan will examine local assets and opportunities and identify economic development, transportation, housing, and community projects that align with the community's vision for downtown revitalization and that are poised for implementation. The downtown Penn Yan Strategic Investment Plan will guide the investment of DRI grant funds in revitalization projects that will advance the community's vision for its downtown and that can leverage and expand upon the state's $10 million investment. Plans are expected to be finalized in 2019.

Source: District officials.

District Population

The 2017 estimated population of the District is 15,255. (Source: 2017 U.S. Census Bureau estimate)

Larger Employers

Employer Name	Type	Number of Employees
Soldiers & Sailors Memorial Hospital	Hospital and Nursing Home	459
Penn Yan Central School District	Public Education	359
Yates County	County Government	300
Silgan Plastics	Manufacturer – Plastic Bottles/Containers	271
Keuka College	Private College	260

Source: District officials.

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 includes 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 the 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:						
Barrington	$ 15,416	$ 19,912	$ 31,021	$ 38,864	$ 62,974	$ 68,750
Benton	16,843	20,725	26,993	43,988	56,417	83,864
Jerusalem	18,099	25,772	28,200	45,254	65,660	84,348
Milo	16,819	24,344	22,399	38,547	52,121	54,922
Potter	16,696	18,817	22,200	47,188	54,167	61,389
Torrey	15,955	25,534	29,540	40,350	62,188	72,500
Geneva	22,990	32,972	29,327	58,350	94,567	61,399
Seneca	19,165	24,199	33,359	51,705	61,475	83,750
Pulteney	18,461	24,095	28,255	42,438	52,986	62,321
Counties of:						
Yates	16,781	23,255	26,608	40,681	56,538	66,467
Ontario	21,533	28,950	33,685	52,698	69,877	78,750
Steuben	18,197	23,279	27,731	41,940	52,867	60,563
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: 2000 U.S. Census Bureau, 2006-2010 and 2013-2017 5-Year American Community Survey estimates.

Unemployment Rate Statistics

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

Annual Average

	2011	2012	2013	2014	2015	2016	2017	2018
Yates County	7.5%	7.8%	6.8%	5.7%	5.0%	4.4%	4.4%	3.8%
Ontario County	7.1	7.3	6.3	5.2	4.7	4.3	4.5	3.9
Steuben County	9.1	9.3	8.4	6.9	6.3	5.8	5.7	4.9
New York State	8.3	8.5	7.7	6.3	5.3	4.9	4.7	4.1

2018-19 Monthly Figures

	2018							**2019**				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Yates County	3.5%	3.2%	3.0%	3.0%	3.0%	3.0%	3.7%	4.3%	4.4%	4.1%	3.4%	N/A
Ontario County	3.8	3.4	3.3	3.2	3.1	3.2	3.9	4.5	4.5	4.2	3.5	N/A
Steuben County	4.6	4.2	4.0	3.9	3.8	3.8	4.7	5.5	5.4	5.1	4.2	N/A
New York State	4.1	4.2	4.0	3.6	3.6	3.5	3.9	4.6	4.4	4.1	3.6	N/A

Note: Unemployment rates for the month of May 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

The Board of Education, which is the policy-making body of the District, consists of nine members with overlapping three-year terms so that as nearly as possible, an equal number is elected to the Board each year. Each Board member must be a qualified voter of the District and no Board member may hold certain other District offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

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

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.

Budgetary Procedures and Recent Budget Votes

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 "Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Cap also must receive at least 60% voter approval.

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

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). Clarification may be needed to determine whether a Board of Education must adopt a budget that requires the same tax levy amount as used in the prior fiscal year, or whether changes to the levy are permitted for such purposes as the permitted school district exclusions or the tax base growth factor. For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

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

Recent Budget Vote Results

The budget for the 2017-18 fiscal year was voted on by the qualified voters on May 16, 2017 by a margin of 595 yes to113 no. The District's budget for 2017-18 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget included a tax levy increase of 1.79%, which was below the District's Tax Cap of 1.89% for the 2017-18 fiscal year.

The adopted budget for the 2018-19 fiscal year was adopted by qualified voters on May 15, 2018 by a margin of 583 yes to 102 no. The District's budget for 2018-19 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget included a tax levy increase of 2.29%, which was below the District's Tax Cap of 2.81% for the 2018-19 fiscal year.

The adopted budget for the 2019-20 fiscal year was adopted by qualified voters on May 21, 2019 by a margin of 509 yes to 95 no. The District's budget for 2019-20 is within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget included a tax levy increase of 2.28%, which was below the District's Tax Cap of 2.33% for the 2019-20 fiscal year.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2018-19 fiscal year, approximately 42.8% of the revenues of the District are estimated to be received in the form of State aid. In its adopted budget for the 2019-20 fiscal year, approximately 42.5% 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").

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 School 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.

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.

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 Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during fiscal year 2019-2020 and fiscal year 2020-2021 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces Federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

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 2019-20 preliminary building aid ratios, the District expects to receive State building aid of approximately 58.7% of 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 a part of the Community Schools Grant Initiative (CSGI) and received $71,001 grant funds.

Gap Elimination Adjustment (GEA). 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 $9,855,794. 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 2017-18 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 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are 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 2018-19 Enacted Budget includes nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately $859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at $26.03 billion statewide, a 3.4% increase over the last year. The State's 2018-19 Enacted Budget includes an increase of $618 million in Foundation Aid for school districts. Foundation Aid now totals nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase will be distributed using a one year, off formula methodology. The State's 2018-19 Enacted Budget guarantees that all school districts receive an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase will be "set aside" for certain school districts to fund community schools. The State's 2018-19 Enacted Budget fully funds all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allows 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 CFE 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.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2018-19 and 2019-20 fiscal years comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2013-2014	$ 31,368,463	$ 13,844,450	44.13%
2014-2015	31,960,869	13,671,832	42.78
2015-2016	33,010,689	14,565,491	44.12
2016-2017	33,692,951	14,664,574	43.52
2017-2018	34,082,168	15,036,708	44.12
2018-2019 (Budgeted)	36,006,183	15,416,515	42.82
2019-2020 (Budgeted)	36,239,453	15,390,463	42.47

Source: 2013-14 through 2017-18 audited financial statements and 2018-19 and 2019-20 adopted budgets of the District. This table is not audited.

District Facilities

Name	Grades	Capacity	Year(s) Built/Additions
Penn Yan Elementary School	PK-5	1,000	1955, '03
Penn Yan Middle School	6-8	600	1929, '94
Penn Yan Academy	9-12	900	1962, '91, '04

Source: School District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-2015	1,585	2019-2020	1,435
2015-2016	1,574	2020-2021	1,410
2016-2017	1,531	2021-2022	1,392
2017-2018	1,492	2022-2023	1,380
2018-2019	1,416	2023-2024	1,385

Source: District officials.

Employees

The District employs a total of 330 full-time and 19 part-time employees, a portion of which have representation by the various bargaining units listed below:

Number of Employees	Bargaining Unit	Contract Expiration Date
116	CSEA, Local 1000, Unit 9301	June 30, 2021
9	Penn Yan Association of School Administrators	June 30, 2019 (1)
213	Penn Yan Teachers' Association	June 30, 2020

(1) Currently under negotiations.

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 make contributions to the Retirement Systems at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2018-19 and 2019-20 fiscal years are as follows:

Fiscal Year	ERS	TRS
2013-2014	$ 779,559	$ 1,812,487
2014-2015	569,313	1,975,182
2015-2016	612,707	1,572,966
2016-2017	483,168	1,464,752
2017-2018	615,816	1,233,252
2018-2019 (Budgeted)	650,000	1,650,000
2019-2020 (Budgeted)	600,000	1,550,000

Source: District records.

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 currently does not have early retirement incentive programs for its employees.

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 (2014-15 to 2019-20) is shown below:

Fiscal Year	ERS	TRS
2014-15	20.1%	17.53%
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 will be adopted by the NYSTRS 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 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 is not participating in the Stable Rate Pension Contribution Option, nor does it intend to do so in the foreseeable future.

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 School District has not yet determined whether it will establish such a fund.

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

Other Post-Employment Benefits

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 Armory Associates, LLC, an actuarial firm, to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018.

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

Balance at June 30, 2017:	$ 815,830
Changes for the year:	
Service cost	40,672
Interest	25,226
Differences between expected and actual experience	(6,530)
Changes of benefit terms	0
Changes in assumptions	0
Benefit payments	(31,526)
Net Changes	27,842
Balance at June 30, 2018:	$ 843,672

Source: 2018 audited financial statements. The above table is not audited. For additional information see "APPENDIX - D" attached hereto.

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.

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.

For prior valuations under GASB 45, the District contracted with an actuarial firm to calculate its OPEB in accordance with GASB 45. Based on an actuarial valuation dated 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, 2017:

Annual OPEB Cost and Net OPEB Obligation:	**2017**
Annual required contribution (ARC)	$ 360,506
Interest on net OPEB obligation	5,892
Adjustment to ARC)	(8,192)
Annual OPEB cost (expense)	358,206
Contributions made	(192,011)
Increase in net OPEB obligation	166,195
Net OPEB obligation - beginning of year	147,299
Net OPEB obligation - end of year	$ 313,494
Percentage of annual OPEB cost contributed	53.6%

Funding Status:	**2017**
Actuarial Accrued Liability (AAL)	$ 3,589,763
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 3,589,763
Funded Ratio (Assets as a Percentage of AAL)	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 358,206	53.6%	$ 313,494

Source: 2017 audited financial statements of the School District. The above tables are not audited.

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.

In April 2015, the State Comptroller proposed 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.

Financial Statements

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and has been filed with the Electronic Municipal Market Access ("EMMA") website. It is also attached hereto as "APPENDIX-E" to this Official Statement. Certain summary financial information of the District can also be found attached as Appendices to the 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.

New York State Comptroller Reports 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 its most recent audit report of the District on February 12, 2016. The purpose of the audit was to examine the District's calculation of separation payments for the period July 1, 2013 through October 6, 2015.

<u>Key Findings:</u>

- The Assistant Superintendent for Business did not always review accrued vacation leave payments.

<u>Key Recommendations:</u>

- Review and approve all separation payments prior to processing.

The District provided a complete response to the State Comptroller's office on February 3, 2016. 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 recent State Comptroller's audits of the District, nor any that are currently in progress or pending release.

Source: Website of the Office of the New York State Comptroller. 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 to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past 2014 through 2018 fiscal years of the District are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	20.0%
2017	No Designation	20.0%
2016	No Designation	20.0%
2015	No Designation	0.0%
2014	No Designation	0.0%

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the 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.

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Barrington	$ 167,117,577	$ 189,659,333	$ 185,022,867	$ 185,493,954	$ 191,312,042
Benton	160,369,085	172,895,358	175,924,382	178,007,754	179,372,212
Geneva	416,252	429,577	433,536	435,724	426,488
Jerusalem	659,495,544	665,460,701	672,567,090	677,794,177	785,352,371
Milo	426,081,495	452,815,334	454,413,228	455,507,710	457,283,790
Potter	6,502,863	7,298,838	7,387,487	7,521,064	7,542,046
Pulteney	250,110	250,100	250,100	227,647	210,259
Seneca	1,766,091	1,782,140	1,845,796	1,942,749	1,948,594
Torrey	155,822,827	164,545,171	166,848,665	165,034,829	166,244,055
Total Assessed Values	$ 1,577,821,844	$ 1,655,136,552	$ 1,664,693,151	$ 1,671,965,608	$ 1,789,691,857
State Equalization Rates					
Towns of:					
Barrington	100.00%	100.00%	100.00%	100.00%	100.00%
Benton	100.00%	100.00%	100.00%	99.00%	94.00%
Geneva	100.00%	99.00%	100.00%	100.00%	98.00%
Jerusalem	97.00%	97.00%	92.00%	90.00%	100.00%
Milo	98.00%	100.00%	97.00%	97.00%	90.00%
Potter	100.00%	100.00%	100.00%	97.00%	91.00%
Pulteney	100.00%	100.00%	99.00%	100.00%	100.00%
Seneca	100.00%	100.00%	100.00%	100.00%	100.00%
Torrey	100.00%	100.00%	100.00%	99.00%	94.00%
Total Taxable Full Valuation	$ 1,606,914,154	$ 1,675,722,150	$ 1,737,233,789	$ 1,765,061,626	$ 1,863,316,400

Tax Rates Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Barrington	$ 10.75	$ 10.45	$ 10.26	$ 10.28	$ 9.96
Benton	10.75	10.45	10.26	10.38	10.59
Geneva	10.75	10.56	10.26	10.28	10.16
Jerusalem	11.08	10.78	11.15	11.42	9.96
Milo	10.97	10.45	10.57	10.59	11.06
Potter	10.75	10.45	10.26	10.59	10.94
Pulteney	10.75	10.45	10.36	10.28	9.96
Seneca	10.75	10.45	10.26	10.28	9.96
Torrey	10.75	10.45	10.26	10.38	10.59

Tax Collection Procedure

Tax payments are due September 1st. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged From October 1st to October 31st, with a penalty of 3% from November 1st to November 15th. After November 15th, uncollected taxes are returnable to Yates, Ontario and Steuben Counties for collection. The District receives this amount from said Counties prior to the end of the District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by said Counties.

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 17,272,805	$ 17,518,663	$ 17,819,035	$ 18,137,289	$ 18,551,937
Amount Uncollected (1)	691,808	668,108	671,366	523,984	562,614
% Uncollected	4.01%	3.81%	3.77%	2.89%	3.03%

(1) The School District is assured 100% collections by the Counties. See "Tax Collections Procedure" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2018-19 and 2019-20 fiscal years comprised of Real Property Taxes and Tax Items.

Fiscal Year	Total Revenues	Total Real Property Taxes and Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-2014	$ 31,368,463	$ 17,068,551	54.41%
2014-2015	31,960,869	17,554,108	54.92
2015-2016	33,010,689	17,794,370	53.90
2016-2017	33,692,951	18,067,978	53.63
2017-2018	34,082,168	18,545,137	54.41
2018-2019 (Budgeted)	36,006,183	18,899,668	52.49
2019-2020 (Budgeted)	36,239,453	19,373,990	53.46

Source: 2013-14 through 2017-18 audited financial statements and 2018-19 and 2019-20 adopted budgets of the District. This table is not audited.

Ten Largest Taxpayers - 2018 Assessment Roll for 2018-19 District Tax Roll

Name	Type	Taxable Full Valuation
New York State Electric & Gas Corporation	Utility	$ 37,655,433
Camp Arey, Inc.	Homeowner Association	8,300,000
Marlo Ventures III LLC	Private	3,000,000
Paul Garrett Corporation	Private	2,885,500
THETHREEGRACES LLC	Private	2,750,000
Ferro Corporation	Manufacturer	2,600,000
Larry D. Blair as Trustee	Private	2,500,000
Verizon New York, Inc.	Utility	2,105,147
Viking Land, LLC	Hotel/Lodging	2,000,000
Silgan Plastics Corp.	Manufacturer	1,904,400

The ten larger taxpayers listed above have a total full valuation of $65,700,480, which represents 3.5% of the tax base of the District.

The School District experiences the impact of tax certiorari filings on a regular basis for which the School District has a tax certiorari reserve to cover. At this time, the level of tax certiorari filings are within acceptable norms and are not anticipated or believed to have a material impact on the School District's finances.

Source: District officials.

Additional Tax Information

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

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

Total assessed valuation of the District is approximately agricultural – 12.7%, residential – 75.0%, State Land – 0.0%, commercial/industrial – 6.4%, recreational – 0.6%, utilities – 2.1%, vacant land – 3.1%, and commercial services – 0.1%.

The estimated total annual property tax bill of a $100,000 market value residential property located in the District is approximately $2,845 including State, Counties, Town, School District and Fire District Taxes.

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. Chapter 60 of the Laws of 2016 has "converted" STAR to a personal income tax credit instead of a property tax exemption for all new homeowners who purchased their home after August 1, 2015.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of $86,300 or less for 2019 benefits and $88,050 or less for 2020 benefits, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. 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.

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. 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.

The below table lists the basic and enhanced exemption amounts for the 2019-20 School District tax roll for the municipalities applicable to the School District:

Towns of:	Enhanced Exemption	Basic Exemption	Date Certified
Barrington	$ 68,700	$ 30,000	4/9/2019
Benton	68,700	30,000	4/9/2019
Jerusalem	68,700	30,000	4/9/2019
Milo	68,700	30,000	4/9/2019
Potter	68,700	30,000	4/9/2019
Torrey	68,700	30,000	4/9/2019
Geneva	68,700	30,000	4/9/2019
Seneca	68,700	30,000	4/9/2019
Pulteney	68,700	30,000	4/9/2019

$1,481,589 of the District's $18,137,289 school tax levy for the 2017-18 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2018.

$1,414,916 of the District's $18,551,937 school tax levy for the 2018-19 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2019.

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, the latter four of which are indirectly affected by applicability to their respective City.)

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. It was set to expire on June 15, 2020, however recent legislation has made it permanent. 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, applicable to the Notes.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also "State Aid" for a discussion of the New Yorkers for Students' Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. 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.

Debt Limit. The School District has the power to contract indebtedness for any School District purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

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 District is not authorized to expend money, or

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

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

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

The School District has 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. See "TAX LEVY LIMITATION LAW" for a discussion of the limitations on the power of the School District to levy taxes imposed by Chapter 97.

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
Bonds	$ 35,160,000	$ 32,045,000	$ 28,815,000	$ 25,470,000	$ 23,125,000
Bond Anticipation Notes	575,000	928,000	1,398,000	3,256,950	1,236,000
Total Debt Outstanding	$ 35,735,000	$ 32,973,000	$ 30,213,000	$ 28,726,950	$ 24,361,000

Note: The bond amounts shown above do not include advance refunded bonds outstanding where applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 11, 2019.

Type of Indebtedness	Maturity		Amount
Bonds	2019-2032		$ 34,630,000 (1)
Bond Anticipation Notes			
Acquisition of School Buses	July 5, 2019		1,233,000 (2)
Capital Project	July 19, 2019		11,500,000 (3)
		Total	$ 47,363,000

(1) On September 27, 2017, the District issued $13,215,000 refunding serial bonds to advance refund the District's 2011 serial bonds maturing in the years 2020-2028. $13,965,000 advance refunded bonds are currently outstanding and are included in the totals above. These advance refunded bonds will be redeemed in full as of their first call date of December 15, 2019. Debt service on these advance refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

(2) To be renewed at maturity with proceeds of the Notes and available funds of the District.

(3) To be renewed at maturity with proceeds of bond anticipation renewal notes and available funds of the District.

Debt Statement Summary

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

Full Valuation of Taxable Real Property			$1,863,316,400
Debt Limit 10% thereof			186,331,640
Inclusions:			
Bonds (1)	$ 34,630,000		
Bond Anticipation Notes	11,500,000		
Principal of this Issue	1,282,000		
Total Inclusions		$ 47,412,000	
Exclusions:			
Building Aid (2)	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 47,412,000
Net Debt-Contracting Margin			$ 138,919,640
The percent of debt contracting power exhausted is			25.44%

(1) On September 27, 2017, the District issued $13,215,000 refunding serial bonds to advance refund the District's 2011 serial bonds maturing in the years 2020-2028. $13,965,000 advance refunded bonds are currently outstanding and are included in the totals above. These advance refunded bonds will be redeemed in full as of their first call date of December 15, 2019. Debt service on these advance refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

(2) Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing bonded debt. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building aid Estimate. Over the years the building aid ratio has been adjusted based on State legislative changes with an effective date tied to voter authorization dates. Based on preliminary 2019-20 Building Aid Ratios, the School District anticipates State Building aid of 58.7% for debt service on SED approved expenditures from July 1, 2004 to the present. The School District has no reason to believe that it will not ultimately receive all of the Building aid it anticipates, however, no assurance can be given as to when and how much Building aid the School District will receive in relation to its capital project indebtedness.

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 School District.

Bonded Debt Service

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

Cash Flow Borrowings

The District has not found it necessary in the past to issue revenue anticipation notes. The District does not currently anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future.

Capital Project Plans

On December 13, 2016, the qualified voters of the District approved a capital project for renovations and improvements to the Penn Yan Elementary School, Penn Yan Middle School, Penn Yan Academy and Maintenance Building, replace the existing track and turf field, demolish the existing Bus Garage and District Office and construct a new Bus Garage, including for all of the foregoing, site improvements, original furnishings, fixtures and equipment, architectural fees, and all other necessary costs incidental to such work and expend therefore a total sum not to exceed $16,234,575, which is estimated to be the total maximum cost thereof, and pay for the project by using the balance of the District's Capital Reserve Fund ($1,530,704), the balance from the District's Turf Field Reserve Fund ($46,868) and the issuance of debt in the amount of $14,657,003. The District issued $11,500,000 bond anticipation notes on July 20, 2018 as the first borrowing against this authorization. The District anticipates renewing the outstanding bond anticipation notes at maturity and issuing $3,157,003 in additional new money for the capital project.

The District typically borrows annually for buses. On May 21, 2019, the qualified voters of the District approved a proposition by a margin of 504 yes to 104 no for the purchase of four (4) student transport vehicles in an amount not to exceed $455,000. The current issuance of the Notes will provide financing for such vehicles.

There are presently no other capital projects authorized and unissued by the District.

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Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The estimated outstanding indebtedness of such political subdivisions is as follows:

Municipality	Status of Debt as of	Gross Indebtedness [1]	Exclusions [2]	Net Indebtedness	District Share	Applicable Indebtedness
County of:						
Yates	6/20/2018 [3]	$ 3,870,000	$ 1,290,000	$ 2,580,000	70.55%	$ 1,820,190
Ontario	4/3/2019 [3]	24,615,000	1,960,000	22,655,000	0.03%	6,797
Steuben	6/26/2018 [3]	6,205,000	575,000	5,630,000	0.00%	-
Town of:						
Barrington	12/31/2016 [4]	-	-	-	69.09%	-
Benton	12/31/2016 [4]	1,821,851	1,695,000	126,851	91.02%	115,460
Jerusalem	12/31/2016 [4]	7,288,221	7,198,221	90,000	98.17%	88,353
Milo	12/31/2016 [4]	5,212,000	3,685,000	1,527,000	89.87%	1,372,315
Potter	12/31/2016 [4]	-	-	-	8.44%	-
Torrey	12/31/2016 [4]	-	-	-	100.00%	-
Geneva	12/31/2016 [4]	555,863	481,363	74,500	0.11%	82
Seneca	12/31/2016 [4]	-	-	-	0.93%	-
Pulteney	12/31/2016 [4]	4,546,072	4,546,072	-	0.09%	-
Village of:						
Penn Yan	5/31/2017 [4]	12,388,329	7,697,022	4,691,307	100.00%	4,691,307
					Total:	$ 8,094,503

Notes:
(1) Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any.
(2) Water and sewer debt and / or appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Sources of information:
(3) Most recent available official statement or annual disclosure filing of the municipality obtained from the Electronic Municipal Market Access Website.
(4) Most recent available State Comptroller's Special Report for the respective fiscal year of the municipality.

Debt Ratios

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

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 47,412,000	$ 3,107.96	2.54%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	55,506,503	3,638.58	2.98

(a) The 2017 estimated population of the District is 15,255. (See "THE SCHOOL DISTRICT - Population" herein.)
(b) The District's full value of taxable real estate for the 2018-19 fiscal year is $1,863,316,400. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
(c) See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.
(d) Estimated net overlapping indebtedness is $8,094,503. (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

State Aid Intercept for School Districts. 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. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

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

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

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. 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.

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

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commerce 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 obligations.

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, described below enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, 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.

Constitutional Non-Appropriation Provision. 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." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

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

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

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

MARKET AND RISK FACTORS

The financial condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State 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.

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

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

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

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

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

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Trespasz & Marquardt, LLP, Bond Counsel to the District. Bond Counsel's opinion will be in substantially the form attached hereto as "APPENDIX –D".

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, 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 certain Material Events, the form of which is attached hereto as "APPENDIX – C".

Historical Continuing Disclosure Compliance

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

The District, on occasion, did not file certain material event notices in a timely manner for the credit rating changes of the bond insurers of the District's outstanding serial bonds as required by the District's existing continuing disclosure agreements. The underlying rating of the District was not affected by such bond insurer rating changes. A notice disclosing the aforementioned as well as the District's failure to provide notices of its failure to file such event notices was posted to the Electronic Municipal Market Access (EMMA) website on July 27, 2017.

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.

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 financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial 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 Fiscal Advisors are partially contingent on the successful closing of the Notes.

RATINGS

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale upon approval by the District and at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX-C, MATERIAL EVENT NOTICES" herein.)

Moody's Investors Service ("Moody's") has assigned their underlying rating of "A1" with no outlook to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich St., New York, New York 10007. Phone: (212) 553-0038, Fax: (212) 553-1390.

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 or 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.

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

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not 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.

Trespasz & Marquardt, LLP, Syracuse, 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, the financial information in 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 limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the 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 assumes 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: Cathleen Milliman, Assistant Superintendent for Business, Penn Yan Central School District, 1 School Drive, Penn Yan, New York 14527, Phone: (315) 536-3373 Ext. 6, Fax: (315) 536-0068, Email: cmilliman@pycsd.org.

Additional information may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

PENN YAN CENTRAL SCHOOL DISTRICT

Dated: June 11, 2019

DAVID WILLSON
PRESIDENT OF THE BOARD OF EDUCATION

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Cash and Cash Equivalents	$ 10,895,002	$ 7,563,680	$ 6,317,697	$ 6,494,603	$ 8,208,841
Accounts Receivable	721,191	664,313	822,018	784,421	646,061
Due from Other Funds	1,542,119	5,446,455	5,931,941	6,235,049	3,403,162
Due from Federal and State Governments	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Prepaid Expenditures	300,441	-	-	-	-
TOTAL ASSETS	$ 13,458,753	$ 13,674,448	$ 13,071,656	$ 13,514,073	$ 12,258,064
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 756,617	$ 217,023	$ 326,080	$ 140,768	$ 39,061
Accrued Liabilities	220,510	177,774	211,699	216,143	224,993
Due to Other Funds	82,318	768,386	294,853	2,162,167	251,568
Due to Teachers' Retirement System	1,935,829	2,090,538	1,659,553	1,555,636	1,328,582
Due to Employees' Retirement System	271,135	217,273	201,116	152,358	147,873
Compensated Abenses	178,847	187,936	188,003	198,568	184,650
Unearned Revenue	-	2,750	2,750	2,750	2,750
TOTAL LIABILITIES	3,445,256	3,661,680	2,884,054	4,428,390	2,179,477
FUND EQUITY					
Nonspendable	$ 563,517	$ 442,095	$ 603,623	$ 156,692	$ 314,285
Restricted	7,225,961	6,706,750	7,502,079	6,942,767	7,740,616
Assigned	707,691	1,519,838	597,314	579,578	583,439
Unassigned	1,516,328	1,344,085	1,484,586	1,406,646	1,440,247
TOTAL FUND EQUITY	10,013,497	10,012,768	10,187,602	9,085,683	10,078,587
TOTAL LIABILITIES and FUND EQUITY	$ 13,458,753	$ 13,674,448	$ 13,071,656	$ 13,514,073	$ 12,258,064

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
REVENUES					
Real Property Taxes & Tax Items	$ 17,068,551	$ 17,554,108	$ 17,794,370	$ 18,067,978	$ 18,545,137
Charges for Services	180,410	272,743	230,874	310,218	93,544
Use of Money & Property	47,445	54,898	50,157	23,574	21,966
Sale of Property and Compensation for Loss	126,536	117,501	6,201	100	16,976
Miscellaneous	127,297	166,013	291,403	507,267	275,513
Interfund Revenues	4,520	-	-	-	-
Revenues from State Sources	13,736,117	13,671,832	14,565,491	14,664,574	15,036,708
Revenues from Federal Sources	77,587	123,774	72,193	119,240	92,324
Total Revenues	$ 31,368,463	$ 31,960,869	$ 33,010,689	$ 33,692,951	$ 34,082,168
Other Sources:					
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	$ 31,368,463	$ 31,960,869	$ 33,010,689	$ 33,692,951	$ 34,082,168
EXPENDITURES					
General Support	$ 3,148,019	$ 3,263,290	$ 3,283,383	$ 3,115,456	$ 3,219,263
Instruction	14,287,497	15,572,548	15,333,990	16,230,111	16,401,184
Pupil Transportation	1,640,001	1,528,488	1,419,317	1,415,659	1,419,838
Community Services	70,404	70,348	71,960	72,268	81,341
Employee Benefits	6,929,206	7,241,382	7,273,526	7,118,632	7,134,362
Debt Service	4,372,983	4,210,794	4,343,780	4,523,895	4,716,046
Total Expenditures	$ 30,448,110	$ 31,886,850	$ 31,725,956	$ 32,476,021	$ 32,972,034
Other Uses:					
Interfund Transfers	60,063	74,748	1,109,899	2,318,849	117,230
Total Expenditures and Other Uses	30,508,173	31,961,598	32,835,855	34,794,870	33,089,264
Excess (Deficit) Revenues Over Expenditures	860,290	(729)	174,834	(1,101,919)	992,904
FUND BALANCE					
Fund Balance - Beginning of Year	9,153,207	10,013,497	10,012,768	10,187,602	9,085,683
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 10,013,497	$ 10,012,768	$ 10,187,602	$ 9,085,683	$ 10,078,587

Source: Audited financial reports of the 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 & Tax Items	$ 18,385,865	$ 18,385,865	$ 18,545,137	$ 18,899,668	$ 19,373,990
Charges for Services	55,000	55,000	93,544	-	-
Use of Money & Property	19,500	19,500	21,966	-	-
Sale of Property and Compensation for Loss	-	-	16,976	-	-
Miscellaneous	395,500	395,500	275,513	500,000	350,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	15,150,288	15,175,288	15,036,708	15,416,515	15,390,463
Revenues from Federal Sources	100,000	100,000	92,324	110,000	100,000
Total Revenues	$ 34,106,153	$ 34,131,153	$ 34,082,168	$ 34,926,183	$ 35,214,453
Other Sources					
Interfund Transfers	-	-	-	-	-
Prior Year Encumbrances	179,578	179,578	-	-	-
Appropriated Reserves	660,000	660,000	-	680,000	625,000
Total Revenues and Other Sources	$ 34,945,731	$ 34,970,731	$ 34,082,168	$ 35,606,183	$ 35,839,453
EXPENDITURES					
General Support	$ 3,537,152	$ 3,595,474	$ 3,219,263	$ 3,647,648	$ 3,687,985
Instruction	16,989,413	17,073,233	16,401,184	17,407,621	17,666,604
Pupil Transportation	1,724,188	1,721,279	1,419,838	1,734,617	1,709,561
Community Services	77,000	81,341	81,341	80,000	105,000
Employee Benefits	8,166,761	8,050,279	7,134,362	8,228,548	8,200,575
Debt Service	4,721,217	4,719,125	4,716,046	4,777,749	4,739,728
Total Expenditures	$ 35,215,731	$ 35,240,731	$ 32,972,034	$ 35,876,183	$ 36,109,453
Other Uses:					
Interfund Transfers	130,000	130,000	117,230	130,000	130,000
Total Expenditures and Other Uses	35,345,731	35,370,731	33,089,264	36,006,183	36,239,453
Excess (Deficit) Revenues Over Expenditures	(400,000)	(400,000)	992,904	(400,000)	(400,000)
FUND BALANCE					
Fund Balance - Beginning of Year	400,000	400,000	9,085,683	400,000	400,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 10,078,587	$ -	$ -

Source: Audited financial report and adopted budgets (unaudited) of the District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 3,690,000	$ 673,599	$ 4,363,599
2020	2,625,000	591,884	3,216,884
2021	2,620,000	530,244	3,150,244
2022	2,700,000	466,869	3,166,869
2023	2,175,000	394,006	2,569,006
2024	1,550,000	318,431	1,868,431
2025	1,610,000	260,081	1,870,081
2026	1,345,000	203,881	1,548,881
2027	1,395,000	151,981	1,546,981
2028	1,450,000	99,400	1,549,400
2029	1,510,000	44,238	1,554,238
2030	155,000	13,263	168,263
2031	160,000	9,000	169,000
2032	140,000	4,200	144,200
TOTALS	$ 23,125,000	$ 3,761,076	$ 26,886,076

Note: On September 27, 2017, the District issued $13,215,000 refunding serial bonds to advance refund the District's 2011 serial bonds maturing in the years 2020-2028. $13,965,000 advance refunded bonds are currently outstanding and are <u>NOT</u> included in the totals above. These advance refunded bonds will be redeemed in full as of their first call date of December 15, 2019. Debt service on these advance refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2017 Various Projects Principal	Interest	Total	2011 [1] Various Projects Principal	Interest	Total
2019	$ 125,000	$ 45,181	$ 170,181	$ 2,455,000	$ 516,181	$ 2,971,181
2020	125,000	42,681	167,681	1,860,000	462,244	2,322,244
2021	130,000	40,181	170,181	1,930,000	414,869	2,344,869
2022	130,000	37,581	167,581	2,005,000	360,669	2,365,669
2023	135,000	34,981	169,981	1,465,000	308,619	1,773,619
2024	140,000	32,281	172,281	1,520,000	263,844	1,783,844
2025	140,000	29,481	169,481	1,575,000	216,434	1,791,434
2026	145,000	26,681	171,681	1,295,000	170,781	1,465,781
2027	145,000	23,781	168,781	1,340,000	126,288	1,466,288
2028	150,000	20,700	170,700	1,390,000	78,513	1,468,513
2029	155,000	17,138	172,138	1,445,000	27,094	1,472,094
2030	155,000	13,263	168,263	-	-	-
2031	160,000	9,000	169,000	-	-	-
2032	140,000	4,200	144,200	-	-	-
TOTALS	$ 1,975,000	$ 377,131	$ 2,352,131	$ 18,280,000	$ 2,945,534	$ 21,225,534

[1] The bonds maturing in the years 2021-2029 were advanced refunded by the 2017 Series Refunding Bonds issued on September 27, 2017. These advance refunded bonds will be called and fully redeemeed on their first available call date December 15, 2019.

Fiscal Year Ending June 30th	2011 Refunding of 1994 & 2004 Bonds Principal	Interest	Total	2014 Refunding of 2005 Serial Bonds Principal	Interest	Total
2019	$ 625,000	$ 108,450	$ 733,450	$ 480,000	$ 9,600	$ 489,600
2020	635,000	92,825	727,825	-	-	-
2021	650,000	75,363	725,363	-	-	-
2022	665,000	55,863	720,863	-	-	-
2023	690,000	27,600	717,600	-	-	-
TOTALS	$ 3,265,000	$ 360,100	$ 3,625,100	$ 480,000	$ 9,600	$ 489,600

Fiscal Year Ending June 30th	2017 Refunding of 2011 Bonds Principal	Interest	Total
2019	$ 5,000	$ 433,180	$ 438,180
2020	5,000	433,128	438,128
2021	1,840,000	414,700	2,254,700
2022	1,905,000	373,425	2,278,425
2023	1,350,000	331,425	1,681,425
2024	1,410,000	286,150	1,696,150
2025	1,470,000	230,600	1,700,600
2026	1,200,000	177,200	1,377,200
2027	1,250,000	128,200	1,378,200
2028	1,300,000	78,700	1,378,700
2029	1,355,000	27,100	1,382,100
TOTALS	$ 13,090,000	$ 2,913,808	$ 16,003,808

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 has agreed 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 (as defined by the Rule) 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 noteholders, 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.

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FORM OF OPINION OF BOND COUNSEL

July 5, 2019

Penn Yan Central School District
1 School Drive
Penn Yan, New York 14527

Re: Penn Yan Central School District, Yates, Ontario, and Steuben Counties, New York
$1,282,000 Bond Anticipation Notes, 2019 (Series A)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $1,282,000 Bond Anticipation Notes, 2019 (Series A) (the “Notes”) of the Penn Yan Central School District, Counties of Yates, Ontario, and Steuben, State of New York (the "District"). The Notes are dated July 5, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before July 5, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Notes and the Arbitrage and Use of Proceeds Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against New York municipal corporations such as the School District. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

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

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

Very truly yours,

TRESPASZ & MARQUARDT, LLP

PENN YAN CENTRAL SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2018

Such Financial Report and opinions 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.

Raymond F. Wager, CPA, P.C., the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Raymond F. Wager, CPA, P.C. also has not performed any procedures relating to this Official Statement.

PENN YAN CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2018

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Penn Yan Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penn Yan Central School District, New York, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Penn Yan Central School District, New York, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note II to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 52–56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Penn Yan Central School District, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of the Penn Yan Central School District, New York'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Penn Yan Central School District, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, P.C.

Rochester, New York
September 18, 2018

Penn Yan Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. 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

At the close of the fiscal year, the total assets (what the district owns) exceeded its total liabilities (what the district owes) by $43,999,108 (net position) an increase of $2,289,819 from the prior year.

General revenues, which include Real Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous, accounted for $34,249,291 or 90% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions, accounted for $3,767,210, or 10% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of $10,686,901, an increase of $2,029,270 in comparison with the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The School District maintains five individual governmental funds; the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the special aid fund, the school lunch fund, the debt service fund, and the capital projects fund, which are reported as major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

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

Major Feature of the District-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	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 revenues, expenditures, and changes in fund balance	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/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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

Notes to the Financial Statements

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District’s property tax base and the condition of the school buildings and facilities must also be considered to assess the District’s overall health.

All of the District’s services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District as a Whole

Net Position

The District's combined net position was larger on June 30, 2018 than the year before, increasing by 5% to $43,999,108 as shown in the table below.

	Governmental Activities		Total Percentage
ASSETS:	**2018**	**2017**	**Change**
Current and Other Assets	$ 14,538,208	$ 14,199,917	2.38%
Capital Assets	52,925,206	54,070,894	-2.12%
Total Assets	**$ 67,463,414**	**$ 68,270,811**	**-1.18%**
DEFERRED OUTFLOW OF RESOURCES:			
Deferred Outflow of Resources	**$ 9,163,605**	**$ 8,985,580**	**1.98%**
LIABILITIES:			
Long-Term Debt Obligations	$ 25,415,468	$ 29,289,463	-13.23%
Other Liabilities	3,043,590	5,334,161	-42.94%
Total Liabilities	**$ 28,459,058**	**$ 34,623,624**	**-17.80%**
DEFERRED INFLOW OF RESOURCES:			
Deferred Inflow - Bond Premium	$ 413,867	$ 451,492	-8.33%
Deferred Inflow - Bond Refunding	687,500	-	100.00%
Deferred Inflow - OPEB	5,967	-	100.00%
Deferred Inflow - Pension	3,061,519	471,986	548.65%
Total Deferred Inflow of Resources	**$ 4,168,853**	**$ 923,478**	**351.43%**
NET POSITION:			
Net Investments in Capital Assets	$ 28,676,507	$ 25,736,683	11.42%
Restricted For,			
Retirement Contribution Reserve	2,264,392	2,744,392	-17.49%
Debt Service	1,468,918	1,463,611	0.36%
Repair Reserve	1,444,234	1,444,234	0.00%
Capital Reserve	2,457,849	1,000,000	145.78%
Other Purposes	1,574,141	1,754,141	-10.26%
Unrestricted	6,113,067	7,566,228	-19.21%
Total Net Position	**$ 43,999,108**	**$ 41,709,289**	**5.49%**

The District's financial position is the product of many factors.

By far, the largest component of the School District's net position (65%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There were five restricted net asset balances; Retirement Contribution Reserve, Debt Service, Repair Reserve, Capital Reserve, and Other Purposes, which constitute 21% of total net position. The remaining balance is unrestricted net position with a surplus of $6,113,067 (14%), which may be used to finance future operations.

Key Changes are as follows:

- Capital Reserve increased significantly due to the current capital project underway.
- Starting to use the Retirement Contribution Reserve without replenishment.
- New standards on reporting OPEB for future post-retirement benefits.

Changes in Net position

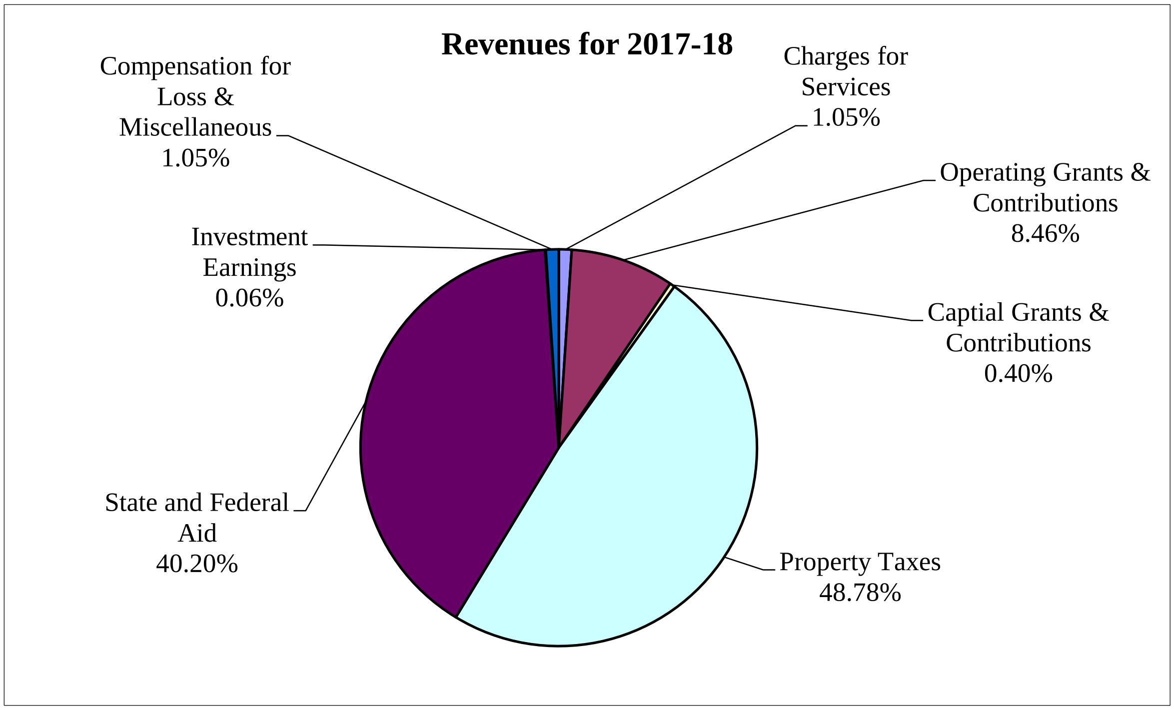
The District's total revenue increased 2% to $38,016,501. Approximately 40% of the revenue was from State and Federal Aid sources while 49% came from property taxes. The remaining 11% of the revenue came from operating grants, capital grants, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

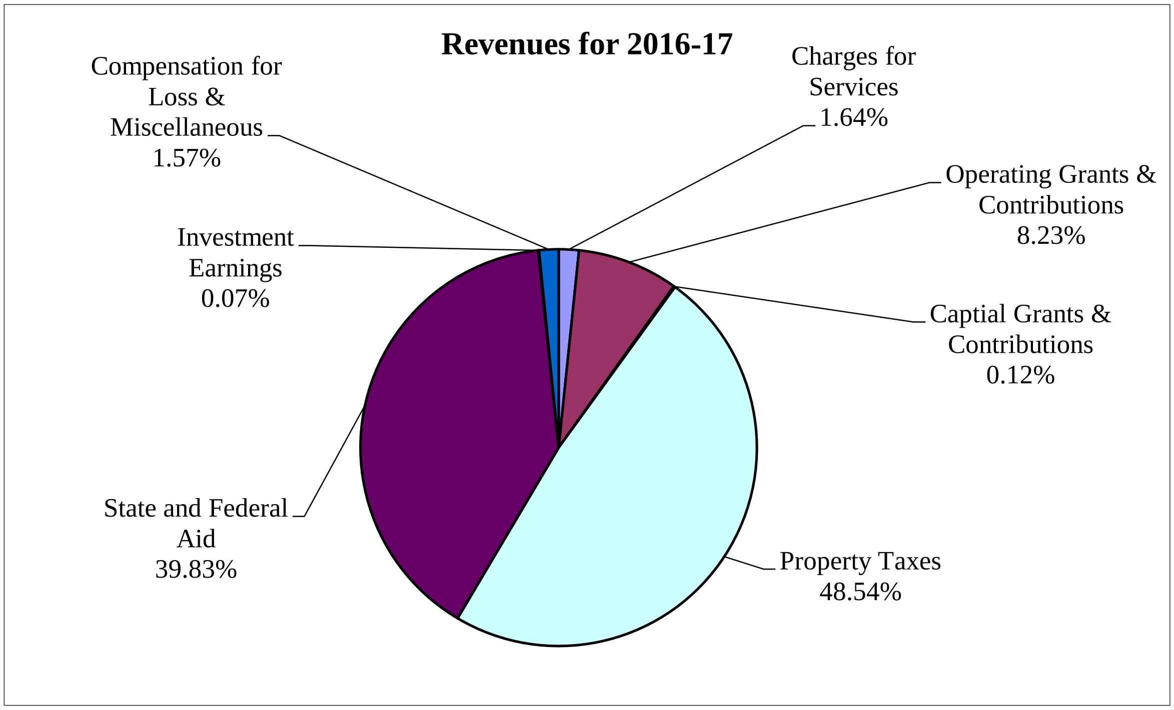
The total cost of all the programs and services decreased 1% to $35,726,682. The District's expenses were predominately related to education and caring for the students. In total approximately 76% of all expenses were on educational services. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 12% of the total costs. See the table below for further details:

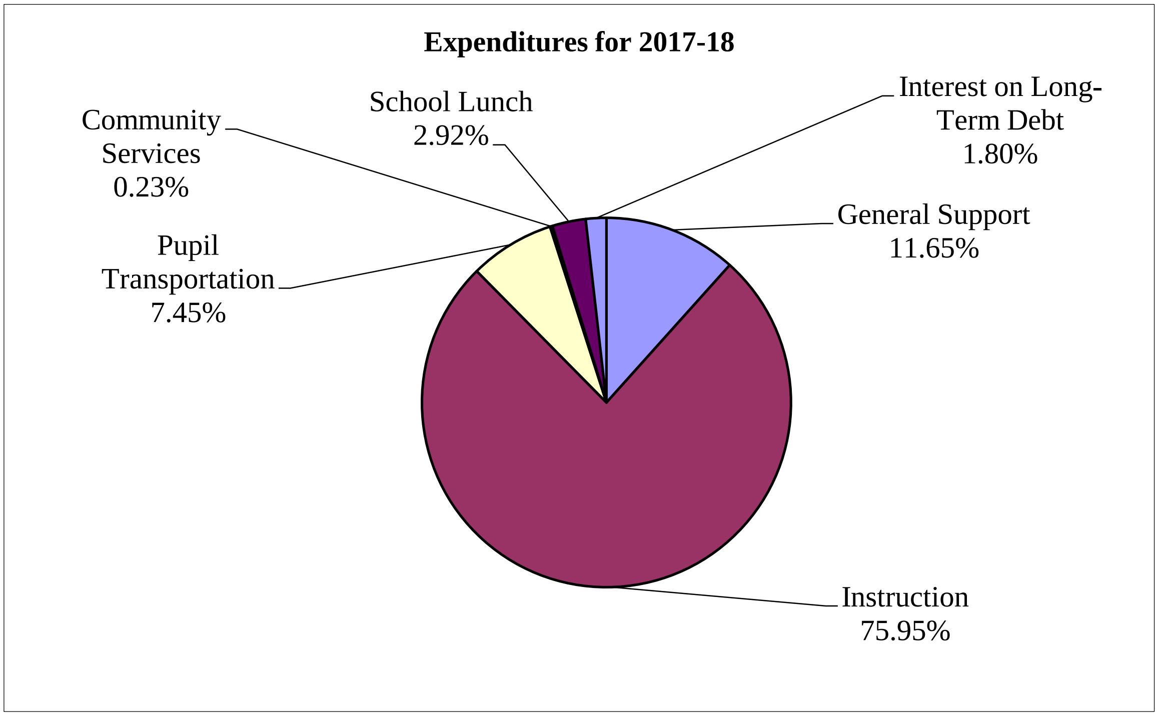
	Governmental Activities		Total Percentage
	2018	2017	Change
REVENUES:			
Program -			
Charges for Services	$ 397,522	$ 610,481	-34.88%
Operating Grants & Contributions	3,216,043	3,062,710	5.01%
Capital Grants & Contributions	153,645	42,863	100.00%
Total Program	$ 3,767,210	$ 3,716,054	1.38%
General -			
Property Taxes	$ 18,545,137	$ 18,067,978	2.64%
State and Federal Aid	15,282,677	14,826,677	3.08%
Investment Earnings	23,924	25,360	-5.66%
Compensation for Loss	16,976	100	16876.00%
Miscellaneous	380,577	589,918	-35.49%
Total General	$ 34,249,291	$ 33,510,033	2.21%
TOTAL REVENUES	**$ 38,016,501**	**$ 37,226,087**	**2.12%**
EXPENSES:			
General Support	$ 4,160,987	$ 4,219,710	-1.39%
Instruction	27,133,783	27,248,813	-0.42%
Pupil Transportation	2,662,557	2,651,000	0.44%
Community Services	81,341	72,268	12.55%
School Lunch	1,044,648	1,096,283	-4.71%
Interest on Long-Term Debt	643,366	833,643	-22.82%
TOTAL EXPENSES	**$ 35,726,682**	**$ 36,121,717**	**-1.09%**
INCREASE IN NET POSITION	**$ 2,289,819**	**$ 1,104,370**	

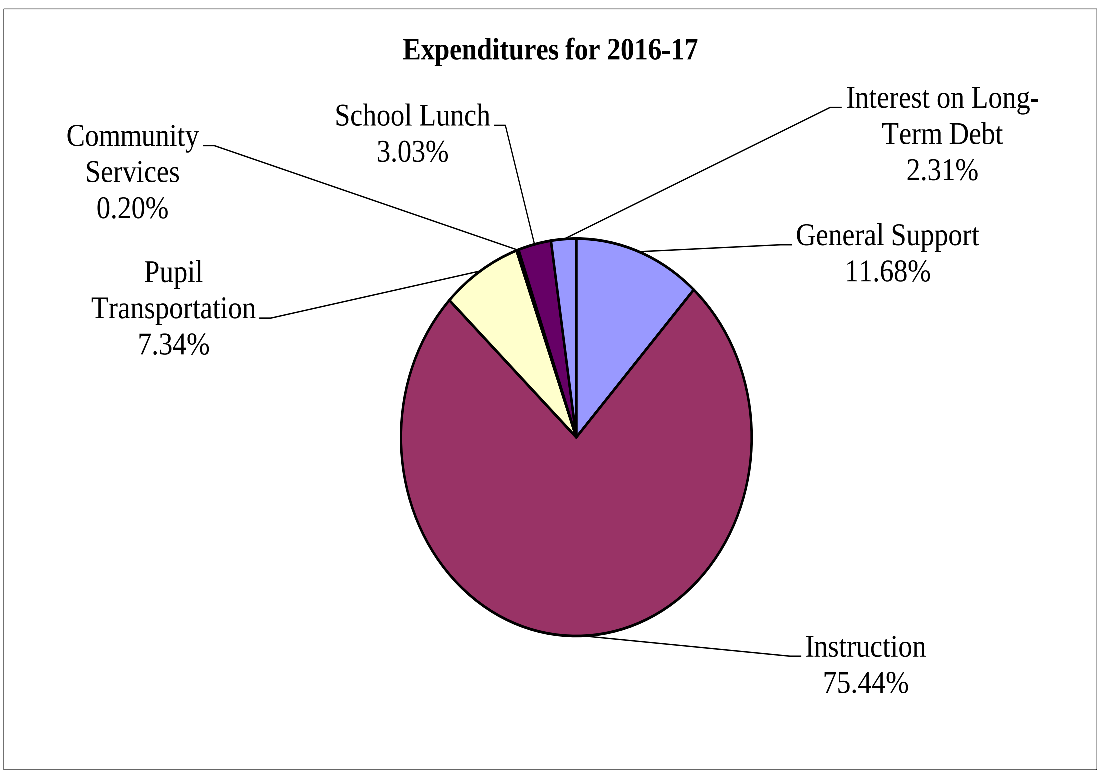
Key Changes are as follows:

- Charges for Services decreased due to the fact we are no longer hosting out of district students for DRIVE and 811 programs, so no billing of other districts. No longer billing for Food Service Manager shared services to another district.
- Compensation for loss increased due to the sale of two surplus vehicles this fiscal year.
- Rise in Community Service expense due to the retirement and hiring of a new School Resource Officer at a higher contract rate.






Expenditures for 2017-18
School Lunch 2.92%
Community Services 0.23%
Interest on Long-Term Debt 1.80%
General Support 11.65%
Pupil Transportation 7.45%
Instruction 75.95%


Expenditures for 2016-17
School Lunch 3.03%
Community Services 0.20%
Interest on Long-Term Debt 2.31%
General Support 11.68%
Pupil Transportation 7.34%
Instruction 75.44%

Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $10,686,901, which is more than last year's ending fund balance of $8,657,631.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was $10,078,587. Fund balance for the General Fund increased by $992,904 compared with the prior year. See table below:

General Fund Balances:	2018	2017	Variance
Nonspendable	$ 314,285	$ 156,692	$ 157,593
Restricted	7,740,616	6,942,767	797,849
Assigned	583,439	579,578	3,861
Unassigned	1,440,247	1,406,646	33,601
Total General Fund Balances	**$ 10,078,587**	**$ 9,085,683**	**$ 992,904**

The District appropriated funds from the following reserves for the 2018-19 budget:

Workers' Compensation	$ 200,000
Retirement Contribution	480,000
Total	**$ 680,000**

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was $204,578. This change is attributable to $179,578 of carryover encumbrances from the 2016-17 school year, and $25,000 for state aid.

The key factors for budget variances in the general fund are listed below along with explanations for each.

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Programs for Children with Handicapping Conditions	($315,904)	More of these students were kept in house decreasing the need for outside services.

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Pupil Transportation	$301,403	Some transportation contractual and salary costs were offset by Extended School Day grant. Fuel Costs remain lower than anticipated.
Employee Benefits	$915,917	Large number of veteran staff retired. Employer share of health insurance for new teach staff based on lower cost plan. Social Security and Medicare costs were lower due to same.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2017-18 fiscal year, the District had invested $52,925,206 in a broad range of capital assets, including land, work in progress, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	2018	2017
Land	$ 468,215	$ 468,215
Work in Progress	4,141,688	3,311,085
Buildings and Improvements	46,131,501	48,143,434
Machinery and Equipment	2,183,802	2,148,160
Total	**$ 52,925,206**	**$ 54,070,894**

Long-Term Debt

At year end, the District had $25,415,468 in general obligation bonds and other long-term debt as follows:

Type	2018	2017
Serial Bonds	$ 23,125,000	$ 25,470,000
Net Pension Liability	410,845	2,004,345
OPEB	843,672	815,830
Compensated Absences	1,036,051	999,288
Total Long-Term Obligations	**$ 25,415,568**	**$ 29,289,463**

Factors Bearing on the District's Future

- District is planning on more frequent, smaller capital projects to maintain a more steady borrowing need.
- New manufacturing and former power plant expected expansions may bring more employment opportunities and therefore, more families moving to the area, therefore, impacting student population.
- New community housing projects could impact student population.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Penn Yan Central School District
Attn: Cathy Milliman
Assistant Superintendent for Business
1 School Drive
Penn Yan, New York 14527

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2018

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	11,866,542
Accounts receivable		2,058,197
Inventories		18,259
Net pension asset		595,210
Capital Assets:		
Land		468,215
Work in progress		4,141,688
Other capital assets (net of depreciation)		48,315,303
TOTAL ASSETS	**$**	**67,463,414**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	**$**	**9,163,605**
LIABILITIES		
Accounts payable	$	94,349
Accrued liabilities		198,506
Unearned revenues		37,817
Due to other governments		463
Due to teachers' retirement system		1,328,582
Due to employees' retirement system		147,873
Bond anticipation notes payable		1,236,000
Long-Term Obligations:		
Due in one year		4,037,474
Due in more than one year		21,377,994
TOTAL LIABILITIES	**$**	**28,459,058**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	**$**	**4,168,853**
NET POSITION		
Net investment in capital assets	$	28,676,507
Restricted For:		
Debt service		1,468,918
Repair reserve		1,444,234
Reserve for employee retirement system		2,264,392
Capital reserves		2,457,849
Other purposes		1,574,141
Unrestricted		6,113,067
TOTAL NET POSITION	**$**	**43,999,108**

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government -					
General support	$ 4,160,987	$ -	$ -	$ -	$ (4,160,987)
Instruction	27,133,783	93,544	2,742,156	153,645	(24,144,438)
Pupil transportation	2,662,557	-	-	-	(2,662,557)
Community services	81,341	-	-	-	(81,341)
School lunch	1,044,648	303,978	473,887	-	(266,783)
Interest	643,366	-	-	-	(643,366)
Total Primary Government	**$ 35,726,682**	**$ 397,522**	**$ 3,216,043**	**$ 153,645**	**$ (31,959,472)**

General Revenues:	
Property taxes	$ 18,545,137
State and federal aid	15,282,677
Investment earnings	23,924
Compensation for loss	16,976
Miscellaneous	380,577
Total General Revenues	**$ 34,249,291**
Changes in Net Position	$ 2,289,819
Net Position, Beginning of Year (restated)	41,709,289
Net Position, End of Year	**$ 43,999,108**

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2018

		General Fund		Special Aid Fund
ASSETS				
Cash and cash equivalents	$	8,208,841	$	494,898
Receivables		646,061		1,260,577
Inventories		-		-
Due from other funds		3,403,162		260,114
TOTAL ASSETS	**$**	**12,258,064**	**$**	**2,015,589**
LIABILITIES AND FUND BALANCES				
Liabilities -				
Accounts payable	$	39,061	$	30,488
Accrued liabilities		224,993		1,127
Notes payable - bond anticipation notes		-		-
Due to other funds		251,568		1,954,625
Due to other governments		-		-
Due to TRS		1,328,582		-
Due to ERS		147,873		-
Compensated absences		184,650		-
Unearned revenue		2,750		29,349
TOTAL LIABILITIES	**$**	**2,179,477**	**$**	**2,015,589**
Fund Balances -				
Nonspendable	$	314,285	$	-
Restricted		7,740,616		-
Assigned		583,439		-
Unassigned		1,440,247		-
TOTAL FUND BALANCE	**$**	**10,078,587**	**$**	**-**
TOTAL LIABILITIES AND FUND BALANCES	**$**	**12,258,064**	**$**	**2,015,589**

(See accompanying notes to financial statements)

School Lunch Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
$ 534,500	$ -	2,628,303	$ 11,866,542
15,489	-	136,070	2,058,197
18,259	-	-	18,259
-	1,468,918	-	5,132,194
$ 568,248	**$ 1,468,918**	**$ 2,764,373**	**$ 19,075,192**
$ 300	$ -	$ 24,500	$ 94,349
243	-	-	226,363
-	-	1,236,000	1,236,000
857,550	-	2,068,451	5,132,194
463	-	-	463
-	-	-	1,328,582
-	-	-	147,873
	-	-	184,650
5,718	-	-	37,817
$ 864,274	**$ -**	**$ 3,328,951**	**$ 8,388,291**
$ 18,259	$ -	$ -	$ 332,544
-	1,468,918	620,820	9,830,354
-	-	-	583,439
(314,285)	-	(1,185,398)	(59,436)
$ (296,026)	**$ 1,468,918**	**$ (564,578)**	**$ 10,686,901**
$ 568,248	**$ 1,468,918**	**$ 2,764,373**	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	52,925,206
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(45,223)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(23,125,000)
OPEB	(843,672)
Compensated absences	(778,321)
Net pension asset	595,210
Deferred outflow - pension	9,163,605
Net pension liability	(410,745)
Deferred inflow - advanced refunding	(1,101,367)
Deferred inflow - pension	(3,061,519)
Deferred inflow - OPEB	(5,967)
Net Position of Governmental Activities	**$ 43,999,108**

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2018

	General Fund	Special Aid Fund
REVENUES		
Real property taxes and tax items	$ 18,545,137	$ -
Charges for services	93,544	-
Use of money and property	21,966	-
Sale of property and compensation for loss	16,976	-
Miscellaneous	275,513	16,505
State sources	15,036,708	1,366,986
Federal sources	92,324	1,358,665
Sales	-	-
Premium on obligations issued	-	-
TOTAL REVENUES	**$ 34,082,168**	**$ 2,742,156**
EXPENDITURES		
General support	$ 3,219,263	$ -
Instruction	16,401,184	2,621,317
Pupil transportation	1,419,838	89,697
Community services	81,341	-
Employee benefits	7,134,362	98,372
Debt service - principal	4,050,950	-
Debt service - interest	665,096	-
Cost of sales	-	-
Other expenses	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	**$ 32,972,034**	**$ 2,809,386**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,110,134	$ (67,230)
OTHER FINANCING SOURCES (USES)		
Transfers - in	$ -	$ 67,230
Transfers - out	(117,230)	-
Proceeds from obligations	-	-
BAN's redeemed from appropriations	-	-
Payment to refunded bond escrow agent	-	-
Proceeds from advanced refunding	-	-
TOTAL OTHER FINANCING SOURCES (USES)	**$ (117,230)**	**$ 67,230**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**$ 992,904**	**$ -**
FUND BALANCE, BEGINNING OF YEAR	9,085,683	-
FUND BALANCE, END OF YEAR	**$ 10,078,587**	**$ -**

(See accompanying notes to financial statements)

	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	$ -	$ -	$ -	$ 18,545,137
	-	-	-	93,544
	747	1,211	-	23,924
	-	-	-	16,976
	843	-	-	292,861
	12,843	-	153,645	16,570,182
	461,044	-	-	1,912,033
	303,978	-	-	303,978
	-	1,572,466	-	1,572,466
	$ 779,455	**$ 1,573,677**	**$ 153,645**	**$ 39,331,101**
	$ -	$ 3,375	$ -	$ 3,222,638
	-	-	-	19,022,501
	-	-	432,307	1,941,842
	-	-	-	81,341
	282,354	-	-	7,515,088
		-	-	4,050,950
	-	-	-	665,096
	331,104	-	-	331,104
	377,978	-	-	377,978
	-	-	984,248	984,248
	$ 991,436	**$ 3,375**	**$ 1,416,555**	**$ 38,192,786**
	$ (211,981)	$ 1,570,302	$ (1,262,910)	$ 1,138,315
	$ 50,000	$ -	$ -	$ 117,230
	-	-	-	(117,230)
	-	-	2,032,950	2,032,950
	-	-	423,000	423,000
		(14,779,995)	-	(14,779,995)
	-	13,215,000	-	13,215,000
	$ 50,000	**$ (1,564,995)**	**$ 2,455,950**	**$ 890,955**
	$ (161,981)	**$ 5,307**	**$ 1,193,040**	**$ 2,029,270**
	(134,045)	1,463,611	(1,757,618)	8,657,631
	$ (296,026)	**$ 1,468,918**	**$ (564,578)**	**$ 10,686,901**

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

For Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			$ 2,029,270
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:			
	Capital Outlay	$ 984,248	
	Additions to Assets, Net	376,237	
	Depreciation	(2,506,173)	
			(1,145,688)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:			
	Debt Repayments	$ 4,050,950	
	Proceeds from Bond Issuance	(2,032,950)	
	Proceeds from BAN Redemption	(423,000)	
	Advanced Refunding	14,783,370	
	Proceeds from Advanced Refunding	(14,783,370)	
			1,595,000
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			21,730
The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.			(33,808)
(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds			
	Teachers' Retirement System		(256,561)
	Employees' Retirement System		33,862
Portion of deferred (inflow) / outflow recognized in long term debt			100,125
In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:			
	Compensated Absences		(54,111)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			**$ 2,289,819**

(See accompanying notes to financial statements)

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 712,932	$ 423,866
Receivable from general fund	-	1,386
TOTAL ASSETS	**$ 712,932**	**$ 425,252**
LIABILITIES		
Accounts payable	$ -	$ 15,238
Extraclassroom activity balances	-	114,830
Other liabilities	-	295,184
TOTAL LIABILITIES	**$ -**	**$ 425,252**
NET POSITION		
Restricted for scholarships	$ 712,932	
TOTAL NET POSITION	**$ 712,932**	

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	$ 1,117
Investment earnings	2,956
TOTAL ADDITIONS	**$ 4,073**
DEDUCTIONS	
Scholarships and donations	$ 10,340
TOTAL DEDUCTIONS	**$ 10,340**
CHANGE IN NET POSITION	$ (6,267)
NET POSITION, BEGINNING OF YEAR	719,199
NET POSITION, END OF YEAR	**$ 712,932**

I. Summary of Significant Accounting Policies

The financial statements of the Penn Yan Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Penn Yan Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. 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 District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 review of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the 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 District's business office**.** The District accounts for assets held as an agency for various student organizations in an agency fund.

B. Joint Venture

The District is a component of the board of cooperative educational services Ontario, Seneca, Yates, Cayuga and Wayne Counties (BOCES). The 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.

(I.) (Continued)

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.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed $3,811,370 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $512,815.

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

C. <u>Basis of Presentation</u>

1. <u>Districtwide Statements</u>

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and 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 program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. <u>Fund Statements</u>

The fund statements provide information about the 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following governmental funds:

a. Major Governmental Funds

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

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

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. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Fund - 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 the payment of principal and interest on long-term obligations for governmental activities.

b. Fiduciary - Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefit 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.

D. Measurement Focus and Basis of Accounting

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

The District-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the 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 fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year 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.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 16, 2017. Taxes are collected during the period September 1, 2017 to October 31, 2017.

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

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the 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.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. 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 expenditures 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 interfund receivables and payables between the 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.

Refer to Note VII for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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.

I. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the 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.

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

(I.) (Continued)

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch 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.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Class	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	$ 50,000	SL	25-50 Years
Machinery and Equipment	$ 5,000	SL	5-20 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

N. 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 District may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O. Vested Employee Benefits

1. Compensated Absences

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

P. <u>Other Benefits</u>

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's 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 cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. <u>Short-Term Debt</u>

The 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 a BAN issued for capital purposes be converted to long-term financing within five years after the original issue date.

R. <u>Accrued Liabilities and Long-Term Obligations</u>

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, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds 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.

S. <u>Equity Classifications</u>

1. <u>District-Wide Statements</u>

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

a. **Net Investment in Capital Assets** **-** consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

b. **Restricted Net Position** **-** reports net position when constraints placed on the assets or deferred outflows of resources 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.

On the Statement of Net Position the following balances represent the restricted for other purposes:

	Total
Workers' Compensation	$ 771,528
Unemployment Costs	542,357
Tax Certiorari	260,256
Total Net Position - Restricted for Other Purposes	**$ 1,574,141**

c. **Unrestricted Net Position** **-** reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

2. Fund Statements

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

a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	Total
Inventory in school lunch	$ 18,259
School lunch deficit	314,285
Total Nonspendable Fund Balance	**$ 332,544**

b. **Restricted Fund Balances** – 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. All encumbrances of funds other than the general fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Capital Reserve - According to Education Law §3651, must be 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 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. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

Name of Reserve	Maximum Funding	Total Funding Provided	Total Year to Date Balance
Capital Reserve	$ 5,000,000	$ 2,457,849	$ 2,457,849

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Repair Reserve - According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims 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 proceeding 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.

(I.) (Continued)

Unemployment Insurance Reserve - According to General Municipal Law §6-m, must be 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 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.

Workers' Compensation Reserve - According to General Municipal Law §6-j, must be 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.

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 and School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

General Fund -	
Capital	$ 2,457,849
Repairs	1,444,234
Retirement Contribution	2,264,392
Tax Certiorari	260,256
Unemployment Insurance	542,357
Workers' Compensation	771,528
Capital Fund -	
Bus Purchase 2012-13	18,986
Renovations Project 2014-15	61,699
Renovations Project 2016-17	540,135
Debt Service Fund -	
Debt Service	1,468,918
Total Restricted Funds	**$ 9,830,354**

(I.) (Continued)

The District appropriated and/or budgeted funds from the following reserves for the 2018-19 budget:

Workers' Compensation	$	200,000
Retirement Contribution		480,000
Total	**$**	**680,000**

c. **Committed** - Includes amounts that can only 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 District has no committed fund balances as of June 30, 2018.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the 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. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Significant encumbrances for the general fund, management has determined that amounts in excess of $49,000 are considered significant and are summarized below:

- General Fund - Central Services $130,167
- Capital Fund - $296,428

Assigned fund balances include the following:

General Fund-Encumbrances	$	183,439
General Fund-Appropriated for taxes		400,000
Total Assigned Fund Balance	**$**	**583,439**

e. **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 and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable 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.

3. Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable 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, nonspendable 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 restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB has issued Statement 85, *Omnibus 2017.*

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*.

U. Future Changes in Accounting Standards

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2018.

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019

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

II. Restatement of Net Position

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net position has been restated as follows:

	Districtwide Statements Governmental Activities
Net position beginning of year, as previously stated	$ 42,211,625
Increase to OPEB liability	(502,336)
Net position beginning of year, as restated	$ 41,709,289

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement requires Districts to report Other Postemployment Benefits (OPEB) liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. See Note II for the financial statement impact of implementation of the Statements.

IV. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year: $25,000 for state aid.

Budgets are adopted annually on a basis consistent with GAAP. 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 projects fund 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.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Deficit Fund Balance

1. Capital Fund/2013-14 Bus Purchases

The 2014 capital bus project had a deficit undesignated fund balance of $65,685 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

2. Capital Fund/2014-15 Bus Purchases

The 2014-15 capital bus project had a deficit undesignated fund balance of $154,233 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

3. Capital Fund/2015-16 Bus Purchases

The 2015-16 capital bus project had a deficit undesignated fund balance of $166,742 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

4. Capital Fund/2016-17 Bus Purchases

The 2016-17 capital bus project had a deficit undesignated fund balance of $366,431 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

5. Capital Fund/2017-18 Bus Purchases

The 2017-18 capital bus project had a deficit undesignated fund balance of $432,307 at June 30, 2018, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

6. School Lunch Fund

As indicated in the financial statements, the District's School Lunch program had a net operating loss of $161,981 which resulted in a deficit fund balance of $314,285 at June 30, 2018. This deficit is a result of expenditures increasing at a higher rate than revenues.

V. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the 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.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution	9,824,723
Letter of Credit	3,354,694
Total	**$ 13,179,417**

Restricted cash represents cash 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 $9,830,354 within the governmental funds and $712,932 in the fiduciary funds.

VI. Receivables

Receivables at June 30, 2018 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				
Description	**General Fund**	**Special Aid Fund**	**School Lunch Fund**	**Capital Projects**	**Total**
Accounts Receivable	$ 62,723	$ -	$ 15,489	$ 136,070	$ 214,282
Due From State and Federal	346,153	1,260,577	-	-	1,606,730
Due From Other Governments	237,185	-	-	-	237,185
Total	**$ 646,061**	**$ 1,260,577**	**$ 15,489**	**$ 136,070**	**$ 2,058,197**

District management has deemed the amounts to be fully collectible.

VII. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2018 were as follows:

	Interfund		Interfund	
	Receivables	**Payables**	**Revenues**	**Expenditures**
General Fund	$ 3,403,162	$ 251,568	$ -	$ 117,230
Special Aid Fund	260,114	1,954,625	67,230	-
School Lunch Fund	-	857,550	50,000	-
Debt Service Fund	1,468,918	-	-	-
Capital Fund	-	2,068,451	-	-
Total government activities	**$ 5,132,194**	**$ 5,132,194**	**$ 117,230**	**$ 117,230**

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VIII. Deferred Inflows of Resources

Deferred inflow represents the amortization of premiums on debt service as follows:

	Balance 7/1/2017	**Additions**	**Deletions**	**Balance 6/30/2018**
Bond Premiums	$ 451,492	$ -	$ 37,625	$ 413,867
Bond Refunding	-	750,000	62,500	687,500
OPEB	-	5,967	-	5,967
Pension system	471,986	2,589,533	-	3,061,519
Total Deferred Inflows of Resources	**$ 923,478**	**$ 3,345,500**	**$ 100,125**	**$ 4,168,853**

IX. Capital Assets

Capital asset balances and activity were as follows:

Type	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities:				
Capital assets that are not depreciated -				
Land	$ 468,215	$ -	$ -	$ 468,215
Work in progress	3,311,085	830,603	-	4,141,688
Total Nondepreciable	$ 3,779,300	$ 830,603	$ -	$ 4,609,903
Capital assets that are depreciated -				
Buildings and improvements	$ 72,468,723	$ -	$ -	$ 72,468,723
Machinery and equipment	7,050,655	518,719	(821,305)	6,748,069
Total Depreciated Assets	$ 79,519,378	$ 518,719	$ (821,305)	$ 79,216,792
Less accumulated depreciation -				
Buildings and improvements	$ 24,325,289	$ 2,011,933	$ -	$ 26,337,222
Machinery and equipment	4,902,495	494,240	(832,468)	4,564,267
Total accumulated depreciation	$ 29,227,784	$ 2,506,173	$ (832,468)	$ 30,901,489
Total capital assets depreciated, net of accumulated depreciation	$ 50,291,594	$ (1,987,454)	$ 11,163	$ 48,315,303
Total Capital Assets	**$ 54,070,894**	**$ (1,156,851)**	**$ 11,163**	**$ 52,925,206**

Depreciation expense for the period was charged to functions/programs as follows:

Governmental Activities:	
General government support	$ 222,324
Instruction	1,616,217
Pupil transportation	612,931
School lunch	54,701
Total Depreciation Expense	**$ 2,506,173**

X. Short-Term Debt

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

	Maturity	Interest Rate	Balance 7/1/2017	Issued	Redeemed	Balance 6/30/2018
BAN - Bus	7/7/2017	1.08%	1,174,000	-	1,174,000	-
BAN - Bus	7/6/2018	1.31%	-	1,236,000	-	1,236,000
BAN - Capital Improvement	8/18/2017	1.30%	2,082,950		2,082,950	-
Total Short-Term Debt			**$ 3,256,950**	**$ 1,236,000**	**$ 3,256,950**	**$ 1,236,000**

A summary of the short-term interest expense for the year is as follows:

Interest paid	$ 39,757
Less: interest accrued in the prior year	(35,900)
Plus: interest accrued in the current year	15,877
Total interest expense	**$ 19,734**

XI. Long-Term Debt Obligations

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

Governmental Activities:	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
Bonds and Notes Payable -					
Serial Bonds	$ 25,470,000	$ 15,247,950	$ 17,592,950	$ 23,125,000	$ 3,690,000
Other Liabilities -					
Net Pension Liability	$ 2,004,345	$ -	$ 1,593,600	$ 410,745	$ -
OPEB	815,830	27,842	-	843,672	-
Compensated Absences	999,288	36,763	-	1,036,051	347,474
Total Other Liabilities	$ 3,819,463	$ 64,605	$ 1,593,600	2,290,468	$ 347,474
Total Long-Term Obligations	**$ 29,289,463**	**$ 15,312,555**	**$ 19,186,550**	**$ 25,415,468**	**$ 4,037,474**

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate	Amount Outstanding 6/30/2018
Serial Bonds -				
Refunding	2012	2023	2.00-4.25%	$ 3,265,000
Construction	2012	2020	2.50%	4,315,000
Refunding	2014	2019	2.00%	480,000
Refunding	2018	2029	1.00%-4.00%	13,090,000
Construction	2018	2032	1.00%-3.00%	1,975,000
Total				**$ 23,125,000**

(XI.) (Continued)

The following is a summary of debt service requirements:

Year	Serial Bonds Principal	Serial Bonds Interest
2019	$ 3,690,000	$ 673,599
2020	2,625,000	591,883
2021	2,620,000	530,244
2022	2,700,000	466,869
2023	2,175,000	394,006
2024-28	7,350,000	1,033,775
2029-32	1,965,000	70,700
Total	**$ 23,125,000**	**$ 3,761,076**

On September 27, 2017, the District issued $13,215,000 in general obligation bonds with an average interest rate of 2.925% to advance refund $13,965,000 of outstanding serial bonds with an average interest rate of 2.75%. The net proceeds of $14,653,404 (after payment of $129,966 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The District advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain (the difference between the present value of the debt service payments on the old and new debt) is approximately $721,399.

In prior years, the District defeased certain general obligations and other bonds 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 trust account assets and the liability for the defeased bonds are not included in the District's financial statements. $3,765,000 of bonds outstanding are considered defeased.

Interest on long-term debt for June 30, 2018 was composed of:

Interest paid	$ 625,339
Less: interest accrued in the prior year	(31,053)
Plus: interest accrued in the current year	29,346
Total interest expense	**$ 623,632**

XII. Pension Plans

A. General Information

The District participates in the New York State Teacher's Retirement System (TRS) and the New York State and Local Employee's Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The 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.

B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 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 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2018:

Contributions	ERS	TRS
2018	$ 615,816	$ 1,328,582

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension assets/(liability)	$ (410,745)	$ 595,210
District's portion of the Plan's total net pension asset/(liability)	0.01273%	0.07831%

For the year ended June 30, 2018, the District recognized pension expenses of $577,465 for ERS and $1,479,034 for TRS. At June 30, 2018 the District's 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	
	ERS	TRS	ERS	TRS
Differences between expended and actual experience	$ 146,499	$ 489,711	$ 121,062	$ 232,065
Changes of assumptions	272,358	6,056,376	-	-
Net difference between projected and actual earnings on pension plan investments	596,574	-	1,177,578	1,401,891
Changes in proportion and differences between the District's contributions and proportionate share of contributions	217,846	3,116	3,326	125,597
Subtotal	$ 1,233,277	$ 6,549,203	$ 1,301,966	$ 1,759,553
District's contributions subsequent to the measurement date	147,873	1,233,252	-	-
Grand Total	**$ 1,381,150**	**$ 7,782,455**	**$ 1,301,966**	**$ 1,759,553**

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

Year	ERS	TRS
2018	$ -	$ 120,344
2019	168,824	1,584,937
2020	133,676	1,129,260
2021	(256,924)	267,262
2022	(114,265)	1,125,924
Thereafter	-	561,923
Total	$ (68,689)	$ 4,789,650

E. Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

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

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

(XII.) (Continued)

Long Term Expected Rate of Return		
	ERS	**TRS**
Measurement date	March 31, 2018	June 30, 2017
Asset Type -		
Domestic equity	4.55%	5.90%
International equity	6.35%	7.40%
Private equity	7.50%	0.00%
Real estate	5.55%	4.30%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	2.80%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Alternative investments	0.00%	9.00%
Domestic fixed income securities	0.00%	1.60%
Global fixed income securities	0.00%	1.30%
Short-term	0.00%	0.60%

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

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. 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% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8% for ERS and 8.25% for TRS) than the current rate :

(XII.) (Continued)

ERS	**1% Decrease (6%)**	**Current Assumption (7%)**	**1% Increase (8%)**
Employer's proportionate share of the net pension asset (liability)	$ (3,107,807)	$ (410,745)	$ 1,870,862

TRS	**1% Decrease (6.25%)**	**Current Assumption (7.25%)**	**1% Increase (8.25%)**
Employer's proportionate share of the net pension asset (liability)	$ (10,253,703)	$ 595,210	$ 9,680,635

H. Pension Plan Fiduciary Net Position

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

	(In Thousands)	
	ERS	**TRS**
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	$ 183,400,590	$ 114,708,261
Plan net position	180,173,145	115,468,360
Employers' net pension asset/(liability)	$ (3,227,445)	$ 760,099
Ration of plan net position to the employers' total pension asset/(liability)	98.24%	100.66%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $147,873.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $1,328,582.

XIII. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. 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 and life insurance 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 June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	45
Active Employees	268
Total	**313**

B. Total OPEB Liability

The District's total OPEB liability of $843,672 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	2.60%
Salary Increases	2.60% average including inflation
Discount Rate	3.00%
Healthcare Cost Trend Rates	Initial rate of 7.5% decreasing to an ultimate rate of 4.5% in 2023

The discount rate was based on a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$	815,830
Changes for the Year -		
Service cost	$	40,672
Interest		25,226
Differences between expected and actual experience		(6,530)
Benefit payments		(31,526)
Net Changes	$	27,842
Balance at June 30, 2018	**$**	**843,672**

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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB Liability	$ 910,420	$ 843,672	$ 780,941

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:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
Total OPEB Liability	$ 743,463	$ 843,672	$ 963,305

D. 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 $65,335. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expended and actual experience	$ (5,967)
Changes of assumptions	-
Total	**$ (5,967)**

(XIII.) (Continued)

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

Year		
2019	$	(563)
2020		(563)
2021		(563)
2022		(563)
2023		(563)
Thereafter		(3,152)
Total	**$**	**(5,967)**

XIV. Risk Management

A. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. 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.

B. Workers' Compensation

The District incurs costs related to the Wayne-Finger Lakes Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, of Ontario, Seneca, Yates, Cayuga and Wayne Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Ontario, Seneca, Yates, Cayuga and Wayne Counties BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of Wayne-Finger Lakes BOCES and twenty-two districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the Penn Yan Central School District incurred premiums or contribution expenditures totaling $254,821.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2017, revealed that the Plan is not fully funded. The District has established a workers' compensation reserve which totals $771,528 as of June 30, 2018.

C. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2017-18 fiscal year totaled $8,044. The balance of the fund at June 30, 2018 was $542,357 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XV. Commitments and Contingencies

A. Litigation

There is no litigation pending against the District as of the balance sheet date.

B. Grants

The 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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

XVI. Lease Commitments and Leased Assets

The District leases certain copiers under the terms of various non-cancelable leases. Rental expense for the (equipment) was $26,052.

(XVI) (Continued)

Minimum annual rentals for each of the remaining years of the lease are as follows:

Year Ending June 30,		**Amount**
2019	$	26,052
2020	$	2,171

XVII. Tax Abatement

The County of Yates IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced $311,467. The District received payment in lieu of tax (PILOT) payment totaling $383,689 to help offset the property tax reduction.

XVIII. Subsequent Event

On July 5, 2018 the District issued a Bond Anticipation Note in the amount of $1,233,000 at 2.29% for buses.

On July 20, 2018 the District issued a Bond Anticipation Note in the amount of $11,500,000 at 3.00% for capital improvement projects.

Required Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Changes in District's Total OPEB Liability and Related Ratio

(Unaudited)

For Year Ended June 30, 2018

TOTAL OPEB LIABILITY

		2018
Service cost	$	40,672
Interest		25,226
Differences between expected and actual experiences		(6,530)
Benefit payments		(31,526)
Net Change in Total OPEB Liability	**$**	**27,842**
Total OPEB Liability - Beginning (restated)	**$**	**815,830**
Total OPEB Liability - Ending	**$**	**843,672**
Covered Employee Payroll	$	13,142,725
Total OPEB Liability as a Percentage of Covered Employee Payroll		6.42%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of the District's Proportionate Share of the Net Pension Liability

(Unaudited)

For Year Ended June 30, 2018

NYSERS Pension Plan

	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.012727%	0.012607%	0.0127400%	0.0127477%
Proportionate share of the net pension liability (assets)	$ 410,745	$ 1,184,575	$ 2,044,739	$ 430,648
Covered-employee payroll	$ 4,090,475	$ 3,851,084	$ 3,772,376	$ 3,780,010
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	10.041%	30.760%	54.203%	11.393%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.078307%	0.076540%	0.0761930%	0.0761560%
Proportionate share of the net pension liability (assets)	$ (595,210)	$ 819,770	$ (7,914,027)	$ (8,483,330)
Covered-employee payroll	$ 12,584,206	$ 12,501,862	$ 11,948,775	$ 11,714,033
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-4.730%	6.557%	-66.233%	-72.420%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of District Contributions

(Unaudited)

For Year Ended June 30, 2018

NYSERS Pension Plan

	2018	2017	2016	2015
Contractually required contributions	$ 615,816	$ 592,857	$ 684,078	$ 688,921
Contributions in relation to the contractually required contribution	(615,816)	(592,857)	(684,078)	(688,921)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,090,475	$ 3,851,084	$ 3,772,376	$ 3,780,010
Contributions as a percentage of covered-employee payroll	15.05%	15.39%	18.13%	18.23%

NYSTRS Pension Plan

	2018	2017	2016	2015
Contractually required contributions	$ 1,328,582	$ 1,555,636	$ 1,659,553	$ 2,090,538
Contributions in relation to the contractually required contribution	(1,328,582)	(1,555,636)	(1,659,553)	(2,090,538)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 12,584,206	$ 12,501,862	$ 11,948,775	$ 11,714,033
Contributions as a percentage of covered-employee payroll	10.56%	12.44%	13.89%	17.85%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2018

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Revised Budget
REVENUES				
Local Sources -				
Real property taxes	$ 18,137,289	$ 16,655,700	$ 16,655,700	$ -
Real property tax items	248,576	1,730,165	1,889,437	159,272
Charges for services	55,000	55,000	93,544	38,544
Use of money and property	19,500	19,500	21,966	2,466
Sale of property and compensation for loss	-	-	16,976	16,976
Miscellaneous	395,500	395,500	275,513	(119,987)
State Sources -				
Basic formula	13,221,788	13,221,788	13,081,545	(140,243)
Lottery aid	1,275,000	1,275,000	1,235,438	(39,562)
BOCES	500,000	500,000	512,815	12,815
Textbooks	102,000	102,000	100,598	(1,402)
All Other Aid -				
Computer software	40,000	40,000	38,360	(1,640)
Library loan	11,500	11,500	11,181	(319)
Other aid	-	25,000	56,771	31,771
Federal Sources	100,000	100,000	92,324	(7,676)
TOTAL REVENUES	$ 34,106,153	$ 34,131,153	$ 34,082,168	$ (48,985)
Appropriated reserves	$ 660,000	$ 660,000		
Appropriated fund balance	$ 400,000	$ 400,000		
Prior year encumbrances	$ 179,578	$ 179,578		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	**$ 35,345,731**	**$ 35,370,731**		

Required Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget (Non-GAAP Basis) and Actual - General Fund

(Unaudited)

For Year Ended June 30, 2018

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General Support -					
Board of education	$ 41,181	$ 41,182	$ 38,367	$ -	$ 2,815
Central administration	225,913	225,913	222,945	-	2,968
Finance	416,214	425,531	417,810	-	7,721
Staff	117,731	126,616	97,785	-	28,831
Central services	2,383,086	2,423,205	2,094,496	130,167	198,542
Special items	353,027	353,027	347,860	-	5,167
Instructional -					
Instruction, administration and improvement	1,237,020	1,298,318	1,199,670	2,077	96,571
Teaching - regular school	7,487,187	7,668,091	7,431,189	27,192	209,710
Programs for children with handicapping conditions	4,335,693	4,019,789	3,907,625	304	111,860
Occupational education	720,000	696,555	695,344	-	1,211
Teaching - special schools	241,400	254,056	231,070	-	22,986
Instructional media	1,028,560	1,132,957	1,021,316	3,358	108,283
Pupil services	1,939,553	2,003,467	1,914,970	20,303	68,194
Pupil Transportation	1,724,188	1,721,279	1,419,838	38	301,403
Community Services	77,000	81,341	81,341	-	-
Employee Benefits	8,166,761	8,050,279	7,134,362	-	915,917
Debt service - principal	3,910,950	4,050,950	4,050,950	-	-
Debt service - interest	810,267	668,175	665,096	-	3,079
TOTAL EXPENDITURES	$ 35,215,731	$ 35,240,731	$ 32,972,034	$ 183,439	$ 2,085,258
Other Uses -					
Transfers - out	$ 130,000	$ 130,000	$ 117,230	$ -	$ 12,770
TOTAL EXPENDITURES AND OTHER USES	$ 35,345,731	$ 35,370,731	$ 33,089,264	$ 183,439	$ 2,098,028
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**$ -**	**$ -**	**$ 992,904**		
FUND BALANCE, BEGINNING OF YEAR	9,085,683	9,085,683	9,085,683		
FUND BALANCE, END OF YEAR	**$ 9,085,683**	**$ 9,085,683**	**$ 10,078,587**		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Change From Adopted Budget To Final Budget And The Real Property Tax Limit For Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget		$ 35,166,153
Prior year's encumbrances		179,578
Original Budget		$ 35,345,731
Budget revisions - State Aid		25,000
FINAL BUDGET		**$ 35,370,731**

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2018-19 voter approved expenditure budget		$ 36,006,183
Unrestricted fund balance:		
Assigned fund balance	$ 583,439	
Unassigned fund balance	1,440,247	
Total Unrestricted fund balance	$ 2,023,686	
Less adjustments:		
Appropriated fund balance	$ 400,000	
Encumbrances included in assigned fund balance	183,439	
Total adjustments	$ 583,439	
General fund fund balance subject to Section 1318 of Real Property Tax Law		1,440,247
ACTUAL PERCENTAGE		**4.00%**

Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
For Year Ended June 30, 2018

			Expenditures				Methods of Financing				
Project Title	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Obligations	Local Sources	State Sources	Total	Fund Balance
Bus Purchases 2012-13	$ 300,000	$ 300,000	$ 281,014	$ -	$ 281,014	$ 18,986	$ -	$ 300,000	$ -	$ 300,000	$ 18,986
Bus Purchases 2013-14	335,000	335,000	333,685	-	333,685	1,315	-	268,000	-	268,000	(65,685)
Bus Purchases 2014-15	480,000	480,000	442,233	-	442,233	37,767	-	288,000	-	288,000	(154,233)
Bus Purchases 2015-16	460,000	460,000	282,742	-	282,742	177,258	-	116,000	-	116,000	(166,742)
Bus Purchases 2016-17	460,000	460,000	458,431	-	458,431	1,569	-	92,000	-	92,000	(366,431)
Bus Purchases 2017-18	435,000	435,000	-	432,307	432,307	2,693	-	-	-	-	(432,307)
SMART Schools Bond Act	1,275,268	1,275,268	333,880	153,645	487,525	787,743	-	-	487,525	487,525	-
Renovations 2014-15	3,165,950	3,165,950	2,840,106	264,145	3,104,251	61,699	2,032,950	1,133,000	-	3,165,950	61,699
Renovations 2016-17	16,234,575	16,234,575	470,979	566,458	1,037,437	15,197,138	-	1,577,572	-	1,577,572	540,135
TOTAL	**$ 23,145,793**	**$ 23,145,793**	**$ 5,443,070**	**$ 1,416,555**	**$ 6,859,625**	**$ 16,286,168**	**$ 2,032,950**	**$ 3,774,572**	**$ 487,525**	**$ 6,295,047**	**$ (564,578)**

Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

Net Investment in Capital Assets

For Year Ended June 30, 2018

Capital assets, net			$	52,925,206
Add:				
Unspent bond proceeds	$	61,699		
				61,699
Deduct:				
Short-term portion of bonds payable	$	3,690,000		
Long-term portion of bonds payable		19,435,000		
Assets purchased with short-term financing		1,185,398		
				24,310,398
Net Investment in Capital Assets			**$**	**28,676,507**

Supplementary Information

PENN YAN CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2018

Grantor / Pass - Through Agency Federal Award Cluster / Program	CFDA Number	Grantor Number	Pass-Through Agency Number		Total Expenditures
U.S. Department of Education:					
Indirect Programs:					
Passed Through NYS Education Department -					
Special Education Cluster IDEA -					
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-18-1121	$	445,769
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-18-1121		19,070
Total Special Education Cluster IDEA				$	464,839
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-18-3865		87,314
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-17-3865		12,742
Title V - Rural Education Achievement Program	84.358	N/A	0006-18-3865		27,077
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-18-3865		549,643
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-17-3865		51,050
Title I - Focus	84.010	N/A	0011-18-2126		99,835
Title I - Focus	84.010	N/A	0011-17-2126		66,166
Total U.S. Department of Education				**$**	**1,358,666**
U.S. Department of Agriculture:					
Indirect Programs:					
Passed Through NYS Education Department -					
Child Nutrition Cluster -					
National School Lunch Program	10.555	N/A	N/A	$	327,522
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	N/A		46,546
National School Snack Program	10.555	N/A	N/A		13,911
National School Breakfast Program	10.553	N/A	N/A		73,065
Total Child Nutrition Cluster				$	461,044
Total U.S. Department of Agriculture				**$**	**461,044**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$**	**1,819,710**

RAYMOND F. WAGER, CPA, P.C.
Certified Public Accountants

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

Independent Auditors' Report

To the Board of Education
Penn Yan Central School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penn Yan Central School District, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Penn Yan Central School District, New York's basic financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Penn Yan Central School District, New York's internal control over financial reporting 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 Penn Yan Central School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Penn Yan Central School District, New York'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raymond F. Wager, CPA, P.C.

Rochester, New York
September 18, 2018