**SUPPLEMENT DATED MAY 27, 2020**

**SUPPLEMENT TO THE PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2020**

**RELATING TO**

# $3,700,000

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT

## CAYUGA AND TOMPKINS COUNTIES, NEW YORK

**GENERAL OBLIGATIONS**

## $3,385,000 School District (Serial) Bonds, 2020

**(referred to herein as the "Bonds")**

**Dated: June 18, 2020** **Due: June 15, 2021-2035**

**MATURITIES***

| Year | Amount | Rate | Yield | CUSIP | Year | Amount | Rate | Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 240,000 | | | | 2029 | $ 305,000 * | | | |
| 2022 | 245,000 | | | | 2030 | 315,000 * | | | |
| 2023 | 255,000 | | | | 2031 | 330,000 * | | | |
| 2024 | 260,000 | | | | 2032 | 100,000 * | | | |
| 2025 | 265,000 | | | | 2033 | 100,000 * | | | |
| 2026 | 275,000 | | | | 2034 | 105,000 * | | | |
| 2027 | 285,000 | | | | 2035 | 15,000 * | | | |
| 2028 | 290,000 | | | | | | | | |

* The Bonds maturing in the years 2029 to 2035 are subject to redemption prior to maturity as described herein under the heading "THE BONDS - Optional Redemption."

** Subject to change pursuant to the accompanying Notice of Private Competitive Bond Sale in order to achieve substantially level or declining annual debt service.

**AND**

## $315,000 Bond Anticipation Notes, 2020 (Renewals) Series A

**(referred to herein as the "Notes")**

**Dated: July 9, 2020** **Due: July 9, 2021**

**(collectively referred to herein as the "Bonds and Notes")**

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**Since the release of the Preliminary Official Statement, Standard & Poor's ("S&P") has released their rating on the Bonds.**

Accordingly, the Preliminary Official Statement has been modified as follows:

*The following language has been added to the cover page:*

**NEW AND RENEWAL ISSUES** **SERIAL BONDS & BOND ANTICIPATION NOTES**
**BOND RATING: Standard & Poor's: "A+" Stable outlook** **See "RATINGS" herein**

*The "RATINGS" section has been revised to read as follows:*

The Notes are not rated

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their rating of "A+" with a Stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

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

PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2020

**NEW AND RENEWAL ISSUES** | **SERIAL BONDS & BOND ANTICIPATION NOTES**
**BOND RATING: Standard & Poor's: " "** | **See "RATINGS" herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds and 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"). In the further opinion of Bond Counsel, interest on the Bonds and Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds and Notes. See "TAX MATTERS" herein.*

*The Bonds and Notes will be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

# $3,700,000

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT

## CAYUGA AND TOMPKINS COUNTIES, NEW YORK

**GENERAL OBLIGATIONS**

## $3,385,000 School District (Serial) Bonds, 2020

**(referred to herein as the "Bonds")**

**Dated: June 18, 2020** | **Due: June 15, 2021-2035**

**MATURITIES***

| Year | Amount | Rate | Yield | CUSIP | Year | Amount | Rate | Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 240,000 | | | | 2029 | $ 305,000 * | | | |
| 2022 | 245,000 | | | | 2030 | 315,000 * | | | |
| 2023 | 255,000 | | | | 2031 | 330,000 * | | | |
| 2024 | 260,000 | | | | 2032 | 100,000 * | | | |
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| 2027 | 285,000 | | | | 2035 | 15,000 * | | | |
| 2028 | 290,000 | | | | | | | | |

* The Bonds maturing in the years 2029 to 2035 are subject to redemption prior to maturity as described herein under the heading "THE BONDS - Optional Redemption."

** Subject to change pursuant to the accompanying Notice of Private Competitive Bond Sale in order to achieve substantially level or declining annual debt service.

**AND**

## $315,000 Bond Anticipation Notes, 2020 (Renewals) Series A

**(referred to herein as the "Notes")**

**Dated: July 9, 2020** | **Due: July 9, 2021**

**(collectively referred to herein as the "Bonds and Notes")**

The Bonds and Notes are general obligations of the Southern Cayuga Central School District, Cayuga and Tompkins Counties, New York (the "School District" or "District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF THE OBLIGATIONS" and "TAX LEVY LIMITATION LAW" herein.

The Bonds shall be subject to redemption prior to maturity as described herein under "THE BONDS – Optional Redemption. The Notes shall not be subject to redemption prior to maturity.

Proposals for the Bonds shall be for not less than $3,385,000 and accrued interest, if any, on the total principal amount of the Bonds. A good faith deposit will not be required.

The Bonds will be issued as registered bonds, registered in the name of the purchaser, or, at the option of the purchaser, registered in the name of Cede & Co., as nominee of The Depository Trust Company, Jersey City New Jersey ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on December 15, 2020 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and the District will act as paying agent. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

At the option of the purchaser, the Notes will be issued in (i) registered form registered in the name of the successful bidder or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the School District. The Notes will be issued in denominations of $5,000 or multiples thereof. A single note certificate will be issued for Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Bonds and Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the respective approving legal opinion as to the validity of the Bonds and Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s) on or about June 18, 2020. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser on or about July 9, 2020.

**ELECTRONIC BIDS for the Bonds and Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on June 1, 2020 by no later than 11:00 A.M., Eastern Time, pursuant to the respective Notices of Sale. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the School District, each bid will constitute an irrevocable offer to purchase the Bonds and Notes pursuant to the terms provided in the respective Notices of Sale.**

June __, 2020

THE SCHOOL 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 BONDS AND NOTES HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE RESPECTIVE NOTICES OF SALES WITH RESPECT TO THE BONDS AND NOTES HEREIN DESCRIBED. FOR A DESCRIPTION OF THE SCHOOL DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE "APPENDIX-C, CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS" HEREIN. THE SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS RELATED TO THE NOTES AS DEFINED IN THE RULE. SEE "APPENDIX-D, MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES" HEREIN.

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT
## CAYUGA AND TOMPKINS COUNTIES, NEW YORK

### 2019-2020 BOARD OF EDUCATION

VACANT
President

SUSAN GLOSS
Vice President

KELSEY ROSSBACH
CHRISTINE BROZON
DAVE HARVATINE
BRUCE KOPP
MATTHEW BENNETT

* * * * * * * * *

### ADMINISTRATION

PATRICK JENSEN
Superintendent

LORETTA VAN HORN
Assistant Superintendent for Business & Operations

BEVERLY L. BUISCH
School District Treasurer

NYNETTE ADAMS
District Clerk

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

No person has been authorized by the Southern Cayuga 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 Bonds and 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 the Southern Cayuga Central School District.

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**PREPARED WITH THE ASSISTANCE OF**

Fiscal Advisors & Marketing, Inc.
250 South Clinton Street, Suite 502
Syracuse, New York 13202
(315) 752-0051
www.fiscaladvisors.com

**OFFICIAL STATEMENT**

**of the**

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT
## CAYUGA AND TOMPKINS COUNTIES, NEW YORK

**Relating To**

## $3,385,000 School District (Serial) Bonds, 2020

**And**

## $315,000 Bond Anticipation Notes, 2020 (Renewals) Series A

This Official Statement, which includes the cover page and appendices, has been prepared by the Southern Cayuga Central School District, Cayuga and Tompkins Counties, New York (the “School District” or “District”, “Counties”, and “State”, respectively) in connection with the sale by the School District of $3,385,000 School District (Serial) Bonds, 2020 (referred to herein as the “Bonds”) and $315,000 Bond Anticipation Notes, 2020 (Renewals) Series A (referred to herein as the “Notes”) (collectively referred to herein as the “Bonds and Notes”).

The factors affecting the School District’s financial condition and the Bonds and Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the School District tax base, revenues, and expenditures, this Official Statement should 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 School District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and Notes and the proceedings of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and Notes and such proceedings.

### NATURE OF THE OBLIGATIONS

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

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

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

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

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean… So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted… While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

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

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

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

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

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

## THE BONDS

### Description of the Bonds

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

The Bonds will be dated June 18, 2020 and will mature in the principal amounts and on the dates as set forth on the inside cover page. Interest on the Bonds will be payable on December 15, 2020 and semi-annually thereafter on June 15 and December 15 in each year until maturity. The Bonds are subject to redemption prior to maturity as described herein under "THE BONDS – Optional Redemption. The record date for the Bonds will be the last business day of the calendar month preceding such interest payment. Interest on the Bonds will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds, registered in the name of the purchaser, or, at the option of the purchaser, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and the District will act as paying agent. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

**Optional Redemption – Bonds**

The Bonds maturing on or before June 15, 2028 will not be subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2029 will be subject to redemption prior to maturity, at the option of the District, on June 15, 2028 and thereafter on any date, in whole or in part and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at par (100%), plus accrued interest to the date of redemption.

The Bonds maturing on or after June 15, 2029 will be redeemable prior to maturity upon the giving of notice which identifies the Bonds to be redeemed, by mailing such notice to the registered owner(s) thereof at their respective addresses as shown upon the registration books of the District or its designated fiscal agent at least 30 days prior to the date set for any such redemption. If notice of redemption shall have been given as aforesaid, the Bonds so called for redemption shall become due and payable at the applicable redemption price on the redemption date designated in such notice, and interest on such Bonds shall cease to accrue from and after such redemption date.

**Purpose of Issue – Bonds**

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and (i) a bond resolution of the School District dated June 9, 2014 authorizing the issuance of $2,950,000 to pay part of the cost of the construction of improvements to and reconstruction of School District facilities (the "2014 Project"), and (ii) a bond resolution adopted by the School District on June 12, 2017 authorizing the issuance of $900,000 serial bonds to finance the reconstruction of school buildings, including reconstruction of the roof at the elementary school wing and reconstruction of facilities at the junior/senior high school (the "2017 Project"), and (iii) a bond resolution adopted by the School District on June 11, 2018 authorizing the issuance of $375,000 serial bonds to finance the construction of improvements to and reconstruction of the planetarium in the Main Building (the "2018 Project")

A $2,150,000 portion of the proceeds of the Bonds together with $195,000 available funds of the District will redeem $2,345,000 bond anticipation notes outstanding and maturing June 19, 2020 originally issued for the 2014 Project.

A $860,000 portion of the proceeds of the Bonds together with $40,000 available funds of the District will redeem $900,000 bond anticipation notes outstanding and maturing June 19, 2020 originally issued for the 2017 Project.

A $375,000 portion of the proceeds of the Bonds will redeem $375,000 bond anticipation notes outstanding and maturing June 19, 2020 originally issued for the 2018 Project.

## 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 "NATURE OF THE OBLIGATIONS" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be dated July 9, 2020 and will mature July 9, 2021. The Notes are not subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) registered certificated form registered in the name of the purchaser, in denominations of $5,000 each or multiples thereof, as may be determined by the successful bidder or (ii) at the option of the purchaser, in book-entry-only form, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**Purpose of Issue – Notes**

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and various bond resolutions of the School District for the purchase of school buses.

The proceeds of the Notes, together with $200,000 available funds of the District, with redeem $515,000 bond anticipation notes maturing July 10, 2020 for the purchase of buses.

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes, if selected by the purchaser(s). As such, the Bonds and 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 bond and note certificate will be issued for each maturity of the Bonds and for Notes bearing the same rate of interest and CUSIP number.

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

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

To facilitate subsequent transfers, all Bonds and 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 Bonds and 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 Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and 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 Bonds and Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds and Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds and Notes may wish to ascertain that the nominee holding the Bonds and 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.

Principal and interest payments on the Bonds and 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 School 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 School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company.

THE SCHOOL DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS AND NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND 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 SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS AND NOTES.

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

## Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds 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 transfers through DTC at any time. In the event that such book-entry-only system is discontinued or the successful bidder elects to have the Bonds issued in registered certificated form, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the District upon termination of the book-entry-only system or by the successful bidder if the Bonds are issued in registered certificated form is chosen. Interest on the Bonds will remain payable on December 15, 2020 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

## Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law, or the School 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 issued registered in the name of the owner in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company to be named by the District as fiscal agent for the Notes.

# THE SCHOOL DISTRICT

## General Information

The School District is located in Central New York, in the heart of the New York State Finger Lakes Region. The School District, which encompasses approximately 160 square miles, includes various portions of the Towns of Fleming, Genoa, Ledyard, Locke, Scipio and Venice in Cayuga County and the Town of Lansing in Tompkins County. The School District was merged in 1964 from the Districts of Genoa, King Ferry, and Sherwood.

The Cities of Auburn and Ithaca each lie approximately 15 miles to the north and south of the School District, respectively. The City of Syracuse is located 40 miles northeast, the City of Binghamton 50 miles southeast. The School District is situated to the east of Cayuga Lake which, at more than 40 miles in length, is the largest of the six major lakes in the Finger Lakes Region.

Major highways located in close proximity to the School District include U.S. #20 and State highways #5, 34 and 90. An exit of the New York State Thruway is located less than 25 miles to the north. Exits to Interstate Highway #81, which extends from Canada through Pennsylvania, are located within 20 miles of the School District. The Syracuse Hancock International Airport serves the residents with air transportation via American Airlines, US Airways, JetBlue, United Airlines, Delta and various commuter lines. Public ground transportation is available through various bus lines.

The area is culturally and academically influenced by Wells College, located within the School District, and both Cornell University and Ithaca College, located in the City of Ithaca. Some larger employers located in the School District include Mackenzie-Childs (200) and Wells College (186). Other major employers include New York State Electric & Gas, Willet Dairy and the Inns of Aurora.

Source: School District officials.

**District Population**

The District has an estimated 2018 population of 6,012. (Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates.)

**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 is 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 is necessarily representative of the District, or vice versa.

| | Per Capita Income | | | Median Family Income | | |
|---|---|---|---|---|---|---|
| | 2000 | 2006-2010 | 2014-2018 | 2000 | 2006-2010 | 2014-2018 |
| Towns of: | | | | | | |
| Fleming | $ 15,825 | $ 22,603 | $ 41,393 | $ 41,005 | $ 54,879 | $ 95,461 |
| Genoa | 11,534 | 20,960 | 36,250 | 34,674 | 50,473 | 77,500 |
| Lansing | 16,756 | 25,634 | 44,036 | 42,366 | 59,758 | 99,139 |
| Ledyard | 11,995 | 18,231 | 32,115 | 33,300 | 51,842 | 80,833 |
| Locke | 10,803 | 16,580 | 28,374 | 31,632 | 41,250 | 71,250 |
| Scipio | 12,910 | 17,705 | 28,848 | 35,263 | 50,395 | 69,219 |
| Venice | 10,617 | 16,254 | 32,360 | 30,750 | 44,375 | 68,750 |
| Counties of: | | | | | | |
| Cayuga | 11,671 | 18,003 | 29,022 | 32,736 | 44,973 | 69,112 |
| Tompkins | 13,171 | 19,659 | 31,464 | 37,874 | 53,041 | 83,326 |
| State of: | | | | | | |
| New York | 16,501 | 23,389 | 37,470 | 39,741 | 51,691 | 80,419 |

Note: 2015-2019 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2014-2018 American Community Survey data.

**Unemployment Rate Statistics**

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

**Annual Average**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Cayuga County | 8.3% | 7.4% | 6.0% | 5.3% | 5.1% | 5.0% | 4.5% | 4.3% |
| Tompkins County | 6.1% | 5.2% | 4.4% | 4.4% | 4.2% | 4.3% | 3.6% | 3.6% |
| New York State | 8.5% | 7.7% | 6.3% | 5.3% | 4.9% | 4.7% | 4.1% | 4.0% |

**2019-20 Monthly Figures**

| | **2019** | | | | | | | | **2020** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
| Cayuga County | 3.8% | 3.9% | 4.2% | 4.2% | 3.6% | 3.8% | 3.9% | 4.7% | 5.3% | 5.1% | 5.4% | N/A |
| Tompkins County | 3.3% | 3.8% | 4.2% | 4.0% | 3.7% | 3.6% | 3.3% | 3.3% | 3.8% | 3.5% | 3.7% | N/A |
| New York State | 3.6% | 3.8% | 4.2% | 4.1% | 3.6% | 3.7% | 3.6% | 3.7% | 4.1% | 3.9% | 4.4% | N/A |

Note: Unemployment rates for the month of April are not available as of the date of this Official Statement. Unemployment rates for April 2020 and for the foreseeable future are expected to increase substantially over prior periods as a result of the COVID-19 pandemic.

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

**Largest Employers**

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

| Name | Type | Employees |
|---|---|---|
| Auburn Community Hospital | Hospital | 985 |
| Auburn Correctional Facility | Prison | 824 |
| Cayuga County | Government | 822 |
| Auburn City School District | Education | 654 |
| Cayuga Correctional Facility | Prison | 359 |

Source: District officials.

**Form of School Government**

The Board of Education which is the policy-making body of the School District consists of seven members with overlapping terms. The President and the Vice President are selected by the Board members. The President of the Board is the chief fiscal officer of the School District.

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

**Budgetary Procedures and Recent Budget Votes**

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a tentative budget of the School District for the ensuing fiscal year. A public hearing on such budget is held not less than seven and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote.

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 3rd 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.

*Recent Budget Votes*

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a margin of 426 yes to 93 no. The budget included a tax levy increase of 1.0% which was below the District's maximum allowable tax levy increase of 1.2% for the 2018-19 fiscal year.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a margin of 300 yes to 72 no. The budget included a tax levy increase of 1.0% which is below the District's maximum allowable tax levy increase of 1.6% for the 2019-20 fiscal year.

The school budget vote for the 2020-21 fiscal year was originally scheduled to be held on May 19, 2020, however, under Executive Order annual school budget votes and board of education elections across the State are postponed until June 9, 2020 and will be conducted using only absentee ballots. The District's 2020-21 budget will be submitted to the voters on June 9, 2020.

**Financial Organization**

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

**Investment Policy**

Pursuant to the statutes of the State of New York, the School 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 School District; (6) obligations of a New York public corporation which are made lawful investments by the School 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 School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School 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 School 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, (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, and (4) repurchase agreements involving the purchase and resale of obligations of the United States of America or obligations of agencies of the federal government, if principal and interest is guaranteed by the United States of America and the securities are registered in the name of the School District and held by a custodial bank in accordance with the policies established by the New York State Comptroller.

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

**State Aid**

The District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 51.5% 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 amount of State aid to school districts is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to Dec. 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation … and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically. (See "State Aid History" herein).

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projects a $13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

The availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

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.

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").

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 health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

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

The State 2019-2020 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. If federal support is reduced by $850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

*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 2020-21 preliminary building aid ratios, the District expects to receive State building aid of approximately 81.2% 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:*

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 outbreak has affected and is expected to continue to affect State aid to the District.

*School district fiscal year (2016-2017):* The State 2016-17 Enacted 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.

*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 2018-19 Enacted Budget included 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 2018-19 Enacted Budget included an increase of $618 million in Foundation Aid for school districts. Foundation Aid totaled nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded 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 were less than what was expected.

*School district fiscal year (2019-2020)*: The State 2019-2020 Enacted Budget included 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 State 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.

*School district fiscal year (2020-2021*): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "State Aid" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

*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 2019-20 fiscal years comprised of State aid.

| Fiscal Year | Total Revenues | Total State Aid | Percentage of Total Revenues Consisting of State Aid |
|---|---|---|---|
| 2014-15 | $ 16,444,675 | $ 8,322,732 | 50.61% |
| 2015-16 | 16,266,909 | 7,978,945 | 49.05 |
| 2016-17 | 16,977,561 | 8,546,911 | 50.34 |
| 2017-18 | 16,936,106 | 8,630,861 | 50.96 |
| 2018-19 | 17,387,015 | 8,818,012 | 50.72 |
| 2019-20 (Budgeted) | 17,790,648 | 9,169,271 | 51.54 |
| 2020-21 (Proposed) | 18,061,671 | 9,024,585 | 49.97 |

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

**District Facilities**

| Name | Grade | Capacity | Construction Date/Additions |
|---|---|---|---|
| Southern Cayuga Central School | preK-12 | 1,100 | 1967, '68, '97, '05, '08, ’12 |

Note: Effective September 1, 2012, the School District opened with all grades – Pre-K through grade 12 – on one campus, the current Southern Cayuga School facility. The District has consolidated to one building and has achieved efficiencies and cost savings in staffing and overhead from the use of a single facility.

Source: District officials.

**Enrollment Trends**

| School Year | Actual Enrollment | School Year | Projected Enrollment |
|---|---|---|---|
| 2015-16 | 699 | 2020-21 | 700 |
| 2016-17 | 692 | 2021-22 | 700 |
| 2017-18 | 705 | 2022-23 | 700 |
| 2018-19 | 704 | 2023-24 | 700 |
| 2019-20 | 738 | 2024-25 | 700 |

Source: District officials.

**Employees**

The School District employs approximately 134 full-time employees. The following table sets forth a breakdown of employee representation by collective bargaining unit and the dates of expiration of the various collective bargaining agreements:

| Employees Represented | Union Representation | Expiration Date |
|---|---|---|
| 82 | Southern Cayuga Teachers’ Association (“SCTA”) | June 30, 2022 |
| 40 | Civil Service Employees’ Association | June 30, 2021 |
| 3 | Southern Cayuga Administrators’ Association | June 30, 2020 (1) |

(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%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2019-20 fiscal years and proposed budget figures for 2020-21 are as follows:

| Fiscal Year | ERS | TRS |
|---|---|---|
| 2014-15 | $ 273,587 | $ 820,607 |
| 2015-16 | 263,210 | 695,955 |
| 2016-17 | 227,993 | 645,040 |
| 2017-18 | 232,255 | 594,204 |
| 2018-19 | 219,268 | 549,379 |
| 2019-20 (Budgeted) | 250,000 | 650,000 |
| 2020-21 (Proposed) | 250,000 | 650,000 |

Source: District officials.

The annual required pension contribution is due February 1 annually, however participants can elect to pre-pay its contribution on December 15 at a discount. The District pre-pays this cost annually. Although permitted by recently enacted laws, the District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

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 School District currently offers an early retirement incentive program, which consists of $10,000 each to two SCTA 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 teachers' 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 (2015-16 to 2020-21) is shown below:

| Fiscal Year | ERS | TRS |
|---|---|---|
| 2015-16 | 18.2% | 13.26% |
| 2016-17 | 15.5 | 11.72 |
| 2017-18 | 15.3 | 9.80 |
| 2018-19 | 14.9 | 10.62 |
| 2019-20 | 14.6 | 8.86 |
| 2020-21 | 14.6 | 9.53* |

* Estimated. The final rate is expected to be adopted by the New York State Teachers' Retirement System Board at its July 29, 2020 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 Adopted State Budget included a provision that authorized local governments, 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 pension contribution rates under this program would reduce near-term payments for employers, but 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 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 on March 31, 2019, will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the 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.

The District contracted with an actuarial firm to calculate its actuarial valuation under GASB 75 for the fiscal years ending June 30, 2018 and 2019.

The following table outlines the changes to the Total OPEB Liability during the 2018 and 2019 fiscal years:

| | | |
|---|---|---|
| Balance beginning at: | July 1, 2018 | July 1, 2019 |
| | $ 28,735,897 | $ 27,513,773 |
| Changes for the year: | | |
| Service cost | 604,893 | 512,971 |
| Interest | 1,078,799 | 977,444 |
| Changes of Benefit Terms | - | 325,901 |
| Differences between expected and actual experience | (2,617,512) | (3,082,688) |
| Changes in assumptions or other inputs | 663,042 | 111,905 |
| Benefit payments | (951,346) | (950,743) |
| Net Changes | $ (1,222,124) | $ (2,105,210) |
| Balance ending at: | June 30, 2018 | June 30, 2019 |
| | **$ 27,513,773** | **$ 25,408,563** |

Source: Audited Financial Statement of the District. The above table is not audited. For additional information see "APPENDIX – G" attached hereto.

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

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

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

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

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

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

**Other Information**

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

The School District has complied with the procedures for the validation of the Bonds and Notes provided in Title 6 of Article 2 of the Local Finance Law.

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

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

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

**Financial Statements**

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 and may be found attached hereto as "APPENDIX-G" to this Official Statement. Certain summary financial information of the School District can also be found attached as Appendices to this Official Statement.

The School 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).

The School District is required to issue 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. The School District is currently in full compliance with GASB Statement No. 34.

**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 School District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The most recent State Comptroller audit report of the District dated December 4, 2015 was to review the District's financial management for the period July 1, 2010 through August 6, 2015. Key findings and recommendations of the State Comptroller's office are outlined below:

Key Findings:

- District officials have generally taken appropriate action to manage the District's financial condition.
- The District's multiyear financial plan does not address its debt share or declining enrollment.

Key Recommendations:

- Continue to closely monitor the District's financial condition and identify opportunities for costs savings and efficiencies.
- Develop and adopt a multiyear financial and capital plan that address the District's increasing debt, use and funding of reserves and any economic or environmental factors.

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

There are no State Comptrollers audits of the District currently in progress or pending release at this time.

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

**The State Comptroller's Fiscal Stress Monitoring System**

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

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the 2015 through 2019 fiscal years of the District are as follows:

| Fiscal Year Ending In | Stress Designation | Fiscal Score |
|---|---|---|
| 2019 | No Designation | 0.0% |
| 2018 | No Designation | 0.0% |
| 2017 | No Designation | 0.0% |
| 2016 | No Designation | 0.0% |
| 2015 | No Designation | 15.0% |

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

## TAX INFORMATION

### Taxable Valuations

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Towns of: | | | | | |
| Fleming | $ 1,078,880 | $ 1,079,410 | $ 1,071,579 | $ 1,143,478 | $ 4,384,261 (1) |
| Genoa | 172,340,789 | 173,525,688 | 174,798,980 | 176,020,517 | 177,870,862 |
| Lansing | 3,310,244 | 3,428,494 | 3,428,509 | 3,658,677 | 3,705,316 |
| Ledyard | 183,940,104 | 182,053,377 | 181,849,849 | 184,892,679 | 184,816,712 |
| Locke | 1,937,847 | 1,937,732 | 1,942,218 | 1,963,743 | 1,963,732 |
| Scipio | 110,931,189 | 136,229,977 (1) | 136,279,364 | 136,481,830 | 136,701,726 |
| Venice | 81,772,628 | 81,772,628 | 87,256,936 | 87,230,894 | 87,676,385 |
| Total Assessed Values | $ 555,311,681 | $ 580,027,306 | $ 586,627,435 | $ 591,391,818 | $ 597,118,994 |
| State Equalization Rates | | | | | |
| Towns of: | | | | | |
| Fleming | 42.00% | 35.61% | 36.00% | 35.00% | 100.00% |
| Genoa | 100.00% | 100.00% | 100.00% | 96.00% | 93.00% |
| Lansing | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Ledyard | 100.00% | 100.00% | 98.00% | 98.00% | 91.00% |
| Locke | 100.00% | 100.00% | 98.00% | 97.00% | 96.00% |
| Scipio | 81.00% | 100.00% | 100.00% | 98.00% | 97.00% |
| Venice | 95.00% | 100.00% | 100.00% | 98.00% | 96.00% |
| Total Taxable Full Valuation | $ 587,126,282 | $ 581,979,095 | $ 592,283,323 | $ 609,249,228 | $ 636,748,593 |

(1) Significant change from previous year due to town-wide revaluation.

### Tax Rate Per $1,000 (Assessed)

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Towns of: | | | | | |
| Fleming | $ 31.43 | $ 37.65 | $ 37.11 | $ 37.48 | $ 12.68 (1) |
| Genoa | 13.20 | 13.41 | 13.35 | 13.67 | 13.63 |
| Lansing | 13.20 | 13.41 | 13.36 | 13.12 | 12.68 |
| Ledyard | 13.20 | 13.40 | 13.63 | 13.89 | 13.91 |
| Locke | 13.20 | 13.41 | 13.63 | 13.52 | 13.21 |
| Scipio | 16.30 | 13.41 (1) | 13.36 | 13.38 | 13.06 |
| Venice | 13.89 | 13.41 | 13.36 | 13.37 | 13.20 |

(1) Significant change from previous year due to town-wide revaluation.

### Tax Collection Procedure

Tax payments are due September 1. There is no penalty charge for the first approximate 30 days after taxes are due. A 2% penalty is charged for the next approximate 30 days and a 3% penalty for the next approximate 13 days. In November uncollected taxes are returnable to the Counties of Cayuga and Tompkins for collection. The School District receives this amount from the Counties prior to the end of the School District's fiscal year, thereby assuring 100% of the tax collection is received by the District.

**Tax Collection Record**

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Total Tax Levy [(1)] | $ 7,750,124 | $ 7,874,126 | $ 7,911,608 | $ 7,992,632 | $ 8,072,558 |
| Amount Uncollected [(2)] | 409,329 | 409,056 | 400,109 | 401,033 | 433,637 |
| % Uncollected [(3)] | 5.28% | 5.19% | 5.06% | 5.02% | 5.37% |

(1) Total Tax Levy includes the amount to be collected from the STAR Program.
(2) See "Tax Collection Procedure."
(3) The School District receives the amount of uncollected taxes from the Counties prior to the end of the Fiscal Year.

**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 2019-20 fiscal years comprised of Real Property Taxes and Tax Items.

| Fiscal Year | Total Revenues | Total Real Property Taxes | Percentage of Total Revenues Consisting of Real Property Tax |
|---|---|---|---|
| 2014-15 | $ 16,444,675 | $ 7,649,999 | 46.52% |
| 2015-16 | 16,266,909 | 7,705,336 | 47.37 |
| 2016-17 | 16,977,561 | 7,854,408 | 46.26 |
| 2017-18 | 16,936,106 | 7,915,115 | 46.74 |
| 2018-19 | 17,387,015 | 7,239,028 | 41.63 |
| 2019-20 (Budgeted) | 17,790,648 | 8,072,558 | 45.38 |
| 2020-21 (Proposed) | 18,061,671 | 8,187,738 | 45.33 |

Source: 2014-15 through 2018-19 audited financial statements and 2019-20 adopted budgets of the District. This table is not audited.

**Ten Larger Taxpayers – 2019 Assessment Roll for 2019-20 District Tax Roll**

| Name | Type | Taxable Assessed Valuation |
|---|---|---|
| Willett Dairy | Dairy Farm | $ 19,747,800 |
| Venice View Dairy | Dairy Farm | 16,807,800 |
| Allen Farms Realty LLC | Dairy Farm | 15,765,300 |
| New York State Electric & Gas | Utility | 15,495,635 |
| Sunnyside Farms | Dairy Farm | 12,708,400 |
| Inns of Aurora | Hotel | 10,767,108 |
| Turek Realty LLC | Crop Farm | 9,895,000 |
| Ashland Farms | Dairy Farm | 8,175,600 |
| Roach Farms | Dairy Farm | 7,532,300 |
| Aurora Ridge | Dairy Farm | 7,127,650 |

The ten larger taxpayers listed above have an estimated assessed valuation of $114,127,593, which represents 19.11% of the tax base of the School District.

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

Source: District officials.

**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.

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.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the credit. 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. Homeowners with STAR Adjusted Gross Income of $250,000 or less have the option to select the credit or the exemption.

The 2020-21 Enacted State Budget requires that STAR benefits be withheld from taxpayers who are delinquent in the payment of their school taxes and lowers the income limit for the exemption to $200,000, compared with a $500,000 limit for the credit.

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

| Towns of: | Enhanced Exemption | Basic Exemption | Date Certified |
|---|---|---|---|
| Fleming | $ 69,800 | $ 30,000 | 4/10/2020 |
| Genoa | 64,910 | 27,900 | 4/10/2020 |
| Lansing | 69,870 | 30,030 | 4/10/2020 |
| Ledyard | 63,520 | 27,300 | 4/10/2020 |
| Locke | 69,800 | 30,000 | 4/10/2020 |
| Scipio | 67,710 | 29,100 | 4/10/2020 |
| Venice | 67,010 | 28,800 | 4/10/2020 |

$758,250 of the District's $7,992,632 school tax levy for 2018-19 was exempted by the STAR Program. The District received all of such exempt taxes from the State in January 2019.

$697,429 of the District's $8,067,614 school tax levy for 2019-20 was exempted by the STAR Program. The District received all of such exempt taxes from the State in January 2020.

**Additional Tax Information**

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

Senior citizens' exemptions are offered to those who qualify.

The assessment roll of the School District is constituted approximately as follows: 20% commercial, 14% industrial, 6% residential and 60% agricultural.

The total property tax bill of a typical residence with a market value of $100,000 is estimated to be $3,000 including County, Town and School District taxes.

## TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, 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 due 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 Bond and 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 and the Equal Protection and Due Process clauses and the First Amendment of the United States Constitution. 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.

## STATUS OF INDEBTEDNESS

### Constitutional Requirements

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

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

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

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under "NATURE OF THE OBLIGATIONS," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, Chapter 97 of the Laws of 2011 imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. See "TAX LEVY LIMITATION LAW" herein.

### Statutory Procedure

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

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 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 District complied with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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

Statutory Law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

The 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 District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

**Debt Outstanding End of Fiscal Year**

| Fiscal Years Ending: | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Bonds | $ 3,925,000 | $ 3,555,000 | $ 7,240,000 | $ 6,505,000 | $ 5,755,000 |
| Bond Anticipation Notes | 8,817,000 | 8,215,000 | 4,231,564 | 3,310,000 | 5,293,935 |
| Other Debt | 0 | 0 | 0 | 0 | 0 |
| Total Debt Outstanding | $ 12,742,000 | $ 11,770,000 | $ 11,471,564 | $ 9,815,000 | $ 11,048,935 |

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the School District as of May 21, 2020.

| Type of Indebtedness | Maturity | Amount |
|---|---|---|
| Bonds | 2020-2029 | $ 5,755,000 |
| Bond Anticipation Notes | | |
| Reconstruction of District Buildings | June 19, 2020 | $ 3,620,000 [1] |
| Bus Purchase | July 10, 2020 | 515,000 [2] |
| Bus Purchase | August 28, 2020 | 283,656 |
| | Total Indebtedness | $ 10,173,656 |

[1] To be redeemed with proceeds of the Bonds together with $235,000 available funds of the District.
[2] To be redeemed with proceeds of the Notes together with $200,000 available funds of the District.

**Debt Statement Summary**

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 21, 2020:

| | | | |
|---|---|---|---|
| Full Valuation of Taxable Real Property | | | $ 636,748,593 |
| Debt Limit 10% thereof | | | 63,674,859 |
| Inclusions: | | | |
| Bonds | $ 5,755,000 | | |
| Bond Anticipation Notes | 283,656 | | |
| Principal of the Bonds | 3,385,000 | | |
| Principal of the Notes | 315,000 | | |
| Total Inclusions | | $ 9,738,656 | |
| Exclusions: | | | |
| Building Aid [1] | $ 0 | | |
| Total Exclusions | | $ 0 | |
| Total Net Indebtedness | | | $ 9,738,656 |
| Net Debt-Contracting Margin | | | $ 53,936,203 |
| The percent of debt contracting power exhausted is | | | 15.29% |

[1] 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 2020-21 Building Aid Ratios, the School District anticipates State Building aid of 81.2% 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 serial bonds.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the School District.

**Bonded Debt Service**

A schedule of Bonded Debt Service may be found in “APPENDIX – B” to this Official Statement.

**Cash Flow Borrowings**

The District has not issued Tax or Revenue Anticipation Notes for the last five fiscal years. The District does not currently anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future.

**Capital Project Plans**

On May 20, 2014, the qualified voters of the District approved a $3,000,000 capital project, which included repairing the elementary school parking lot, gaining energy performance efficiencies, track resurfacing and dredging of a retention pond. The District will use $50,000 from capital reserves and bonds and bond anticipation notes in the amount of $2,950,000 to fund this project. $2,950,000 bond anticipation notes have been issued pursuant to this authorization to date, of which $2,345,000 are currently outstanding and mature on June 19, 2020. A $2,150,000 portion of the proceeds of the Bonds together with $195,000 available funds of the District will redeem these outstanding bond anticipation notes at maturity and will permanently finance this project.

On May 16, 2017, the qualified voters of the District approved a $1,250,000 capital project consisting of roof reconstruction at the Elementary School wing and reconstruction of facilities at the Junior/Senior High School. The District will utilize $350,000 from capital reserves and bonds and bond anticipation notes in the amount of $900,000 to fund this project. $900,000 bond anticipation notes have been issued pursuant to this authorization to date, of which $900,000 are currently outstanding and will mature on July 10, 2020. A $860,000 portion of the proceeds of the Bonds together with $40,000 available funds of the District will redeem these outstanding bond anticipation notes at maturity and permanently finance this project.

On May 15, 2018, the qualified voters of the District approved a $500,000 capital project consisting of the construction of improvements to and reconstruction of the planetarium building at a maximum estimated cost of $500,000 and authorizing the expenditure of $125,000 available funds of the District and also the issuance of $375,000 obligations to finance the project. $375,000 bond anticipation notes are currently outstanding and mature on June 19, 2020. A $375,000 portion of the proceeds of the Bonds will redeem these outstanding bond anticipation notes at maturity and permanently finance this project

On January 15, 2019, the qualified voters of the District approved a $1,500,000 proposition authorizing the District to construct an approximately 750 Kilowatt ground mount solar panel field and system on a District owned parcel of land located adjacent to the High School. The District is unsure at this time whether this project will proceed due to potential issues with connecting the panels to the power grid.

The District issues bond anticipation notes annually for the purchase of buses. On May 21 2019, the qualified voters of the District approved a $283,656 proposition for the purchase of buses, for which $283,656 bond anticipation notes were issued on August 29, 2019. The District expects to seek voter approval in its 2020-21 budget vote for $413,470 for bus purchases. Financing would occur in August 2020 and is expected to be for approximately $302,470.

For the 2020-21 budget vote, the District will include a proposition for voters to authorize a $5 million capital project using $1 million of capital reserves. The project will focus on general reconstruction and upgrades to facilities. The project will coincide with retiring debt service and there will be no tax increase on the residents. Should the project be approved the first borrowing would take place in June/July 2021.

The District has no other projects authorized or contemplated at this time.

**Estimated Overlapping Indebtedness**

In addition to the School 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 School 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: | | | | | | |
| Cayuga | 6/28/2019 [3] | $ 23,960,000 | $ - | $ 23,960,000 | 12.20% | $ 2,923,120 |
| Tompkins | 1/22/2020 [3] | 54,500,000 | 5,838,000 | 48,662,000 | 0.05% | 24,331 |
| Town of: | | | | | | |
| Fleming | 12/31/2018 [4] | 3,015,317 | 3,015,317 | - | 1.23% | - |
| Genoa | 12/31/2018 [4] | - | - | - | 100.00% | - |
| Lansing | 12/31/2018 [4] | 3,392,504 | 630,006 | 2,762,498 | 0.26% | 7,182 |
| Ledyard | 12/31/2018 [4] | - | - | - | 88.47% | - |
| Locke | 12/31/2018 [4] | 162,791 | - | 162,791 | 2.43% | 3,956 |
| Scipio | 12/31/2018 [4] | - | - | - | 96.12% | - |
| Venice | 12/31/2018 [4] | 223,241 | - | 223,241 | 90.61% | 202,279 |
| | | | | | Total: | $ 3,160,868 |

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.

**Debt Ratios**

The following table sets forth certain ratios relating to the District's indebtedness as of May 21, 2020.

| | Amount Indebtedness | Per Capita [a] | Percentage of Full Valuation [b] |
|---|---|---|---|
| Net Indebtedness (see "Debt Statement Summary") | $ 9,738,656 | $ 1,619.87 | 1.53% |
| Net Indebtedness Plus Net Overlapping Indebtedness [c] | 12,899,524 | 2,145.63 | 2.03% |

(a) The 2018 estimated population of the District is 6,012. (See "THE SCHOOL DISTRICT – District Population" herein.)
(b) The District's full value of taxable real estate for its 2019-20 tax roll is $636,748,593. (See "TAX INFORMATION – Taxable Valuations" herein.)
(c) See "Debt Statement Summary" herein.
(d) Estimated net overlapping indebtedness is $3,160,868. (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 Bonds and 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 School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds and 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 Note when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to 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 School 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 Bonds and 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 School District may not be enforced by levy and execution against property owned by the School 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.

**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.

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

## MARKET AND RISK FACTORS

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

The financial condition of the School District as well as the market for the Bonds and Notes could be affected by a variety of factors, some of which are beyond the School 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 Bonds and 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 School District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds and Notes, could be adversely affected.

The School 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 School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School 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" herein.

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the market price of the Bonds and 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 Bonds and 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 Bonds and 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 Bonds and Notes, or the tax status of interest on the Bonds and Notes. See "TAX MATTERS" herein.

**COVID-19**

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" and "State Aid History" 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 Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds and Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed forms of opinions of Bond Counsel are set forth in "APPENDIX – E" and "APPENDIX – F".

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds and Notes. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds and Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds and Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds and 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 Bonds and Notes may adversely affect the value of, or the tax status of interest on, the Bonds and 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 Bonds and Notes.

Certain requirements and procedures contained or referred to the in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds and 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 Bonds and 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 Bonds and Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds and 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.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds and 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 owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Bonds and Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds and Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding any pending or proposed federal or state tax 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 Bonds and Notes are subject to the respective approving legal opinions of Orrick, Herrington & Sutcliffe LLP Bond Counsel. Bond Counsel's opinions will be in substantially the forms attached hereto as "APPENDIX – E" and "APPENDIX – F".

## 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 a Continuing Disclosure Undertaking, descriptions of which are attached hereto as "APPENDIX – C, CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS" and "APPENDIX – D, MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES".

### Historical Continuing Disclosure Compliance

The District has complied with all previous Undertakings in all material respects pursuant to the Rule within the past five years.

## LITIGATION

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

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

## RATINGS

The Notes are not rated

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their rating of "  " to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

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

## 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 Bonds and Notes. The advice on the plan of financing and the structuring of the Bonds and 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 Bonds and 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 Bonds and Notes. All expenses in relation to the printing of CUSIP numbers on the Bonds and 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 Bonds and Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the School District management's beliefs as well as assumptions made by, and information currently available to, the School 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 School District's files with the repositories. When used in School District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Orrick, Herrington & Sutcliffe LLP, New York, New York Bond Counsel to the School District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the School District for use un connection with the offer and sale of the Bonds and Notes, including but not limited to, the financial or statistical 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 Bonds and Notes, the School District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the School District.

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

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 School 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 School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the School District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The School District contact information is as follows: Ms. Loretta VanHorn, Business Administrator, Southern Cayuga Central School District, 2384 Route 34B, Aurora, New York 13026, phone: (315) 364-8711, fax: (315) 364-7863, email address: vanhornl@southerncayuga.org.

The School District's Bond Counsel contact information is as follows: Douglas E. Goodfriend, Esq., Orrick, Herrington & Sutcliffe LLP, 51 West 52nd Street, New York, New York 10019, Phone: (212) 506-5211, Fax: (212) 506-5151, Email: dgoodfriend@orrick.com.

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

**SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT**

**Dated: May 21, 2020**

**/S/ SUSAN GLOSS**
**VICE-PRESIDENT OF THE BOARD OF EDUCATION**
**AND CHIEF FISCAL OFFICER**

## GENERAL FUND

### Balance Sheets

| Fiscal Years Ending June 30: | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Unrestricted Cash | $ 1,974,824 | $ 2,401,564 | $ 3,145,826 | $ 3,813,385 | $ 1,783,217 |
| Restricted Cash | 1,275,771 | 1,479,635 | 1,684,312 | 2,318,887 | 5,475,699 |
| Restricted Investments | - | - | - | - | - |
| Due from Other Funds | 361,778 | 379,705 | 121,149 | 67,824 | 128,214 |
| State and Federal Aid Receivable | 141,568 | 249,523 | 153,782 | 162,400 | 490,127 |
| Due from Other Governments | 466,176 | 489,050 | 461,047 | 448,544 | 489,239 |
| Other Receivables | 61,762 | 82,589 | 11,016 | 30,662 | 23,433 |
| Deferred Expenditures | - | - | - | - | - |
| Prepaid Expenses | - | - | 11,209 | 1,454 | 33,378 |
| TOTAL ASSETS | $ 4,281,879 | $ 5,082,066 | $ 5,588,341 | $ 6,843,156 | $ 8,423,307 |
| LIABILITIES AND FUND EQUITY | | | | | |
| Accounts Payable | $ 28,424 | $ 25,127 | $ 57,747 | $ 46,437 | $ 79,149 |
| Accrued Liabilities | - | - | - | - | - |
| Due to Other Governments | 413 | - | - | - | - |
| Due to Other Funds | - | 1,410 | - | 125,025 | 104,844 |
| Due to Teachers' Retirement System | 882,952 | 692,774 | 645,040 | 560,422 | 621,926 |
| Due to Employees' Retirement System | 74,508 | 67,299 | 57,970 | 59,397 | 56,548 |
| Compensated Absences | 53,103 | 77,133 | 136,016 | 134,416 | 45,486 |
| Post-Employment Benefits Payable | 912,569 | 912,569 | 951,346 | 951,346 | 30,950 |
| Deferred Revenues | 35,765 | 43,655 | 42,475 | - | - |
| TOTAL LIABILITIES | 1,987,734 | 1,819,967 | 1,890,594 | 1,877,043 | 938,903 |
| FUND EQUITY | | | | | |
| Nonspendable | $ - | $ - | $ 11,209 | $ 1,454 | $ 33,378 |
| Restricted | 1,275,771 | 1,479,635 | 1,684,312 | 2,318,887 | 5,422,480 |
| Committed | - | - | - | - | - |
| Assigned | 439,991 | 472,331 | - | 131,723 | 637,538 |
| Unassigned | 578,383 | 1,310,133 | 2,002,226 | 2,514,049 | 1,391,008 |
| TOTAL FUND EQUITY | 2,294,145 | 3,262,099 | 3,697,747 | 4,966,113 | 7,484,404 |
| TOTAL LIABILITIES and FUND EQUITY | $ 4,281,879 | $ 5,082,066 | $ 5,588,341 | $ 6,843,156 | $ 8,423,307 |

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

## GENERAL FUND

### Revenues, Expenditures and Changes in Fund Balance

| Fiscal Years Ending June 30: | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Real Property Taxes | $ 6,777,794 | $ 7,705,336 | $ 7,854,408 | $ 7,915,115 | $ 7,239,028 |
| Real Property Tax Items | 872,205 | 40,671 | 32,269 | 31,253 | 791,255 |
| Charges for Services | 62,612 | 73,352 | 36,192 | 44,340 | 7,743 |
| Use of Money & Property | 20,032 | 20,439 | 23,639 | 35,809 | 118,066 |
| Sale of Property and Compensation for Loss | 17,681 | 42,814 | 109,645 | 1,554 | 28,939 |
| Miscellaneous | 328,524 | 371,410 | 312,917 | 216,940 | 295,965 |
| Interfund Revenues | - | - | - | - | - |
| Revenues from State Sources | 8,322,732 | 7,978,945 | 8,546,911 | 8,630,861 | 8,818,012 |
| Revenues from Federal Sources | 43,095 | 33,942 | 61,580 | 60,234 | 88,007 |
| Total Revenues | $ 16,444,675 | $ 16,266,909 | $ 16,977,561 | $ 16,936,106 | $ 17,387,015 |
| Other Sources: | | | | | |
| Interfund Transfers | - | - | - | - | - |
| Total Revenues and Other Sources | 16,444,675 | 16,266,909 | 16,977,561 | 16,936,106 | 17,387,015 |
| EXPENDITURES | | | | | |
| General Support | $ 1,721,554 | $ 1,677,043 | $ 1,820,124 | $ 1,891,221 | $ 2,104,786 |
| Instruction | 7,302,549 | 7,571,642 | 7,778,287 | 8,327,576 | 8,371,346 |
| Pupil Transportation | 816,174 | 878,836 | 1,091,761 | 914,741 | 892,631 |
| Community Services | 14,532 | 13,236 | 11,348 | 21,306 | 15,877 |
| Employee Benefits | 3,729,307 | 3,495,863 | 3,794,828 | 2,853,844 | 3,139,515 |
| Debt Service | 2,220,563 | 1,548,255 | 1,597,387 | 1,425,313 | 1,181,695 |
| Total Expenditures | $ 15,804,679 | $ 15,184,875 | $ 16,093,735 | $ 15,434,001 | $ 15,705,850 |
| Other Uses: | | | | | |
| Interfund Transfers | 259,492 | 114,080 | 458,178 | 233,739 | 114,220 |
| Total Expenditures and Other Uses | 16,064,171 | 15,298,955 | 16,551,913 | 15,667,740 | 15,820,070 |
| Excess (Deficit) Revenues Over Expenditures | 380,504 | 967,954 | 425,648 | 1,268,366 | 1,566,945 |
| FUND BALANCE | | | | | |
| Fund Balance - Beginning of Year | 1,913,641 | 2,294,145 | 3,262,099 | 3,697,747 | 4,966,113 |
| Prior Period Adjustments (net) | - | - | 10,000 | - | 951,346 |
| Fund Balance - End of Year | $ 2,294,145 | $ 3,262,099 | $ 3,697,747 | $ 4,966,113 | $ 7,484,404 |

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

## GENERAL FUND

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

| Fiscal Years Ending June 30: | 2019 Original Budget | 2019 Final Budget | 2019 Actual | 2020 Adopted Budget | 2021 Proposed Budget |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Real Property Taxes | $ 7,234,383 | $ 7,234,383 | $ 7,239,028 | $ 8,072,558 | $ 8,187,738 |
| Real Property Tax Items | 792,583 | 792,583 | 791,255 | - | - |
| Charges for Services | 30,000 | 30,000 | 7,743 | - | - |
| Use of Money & Property | 21,500 | 21,500 | 118,066 | - | - |
| Sale of Property and Compensation for Loss | - | - | 28,939 | - | - |
| Miscellaneous | 120,000 | 120,000 | 295,965 | 191,451 | 251,500 |
| Interfund Revenues | - | - | - | - | - |
| Revenues from State Sources | 8,926,323 | 8,926,323 | 8,818,012 | 9,169,271 | 9,024,585 |
| Revenues from Federal Sources | 30,000 | 30,000 | 88,007 | - | - |
| Total Revenues | $ 17,154,789 | $ 17,154,789 | $ 17,387,015 | $ 17,433,280 | $ 17,463,823 |
| Other Sources: | | | | | |
| Interfund Transfers | - | - | - | - | - |
| Encumbrances | 131,723 | 131,723 | - | - | - |
| Total Revenues and Other Sources | 17,286,512 | 17,286,512 | 17,387,015 | 17,433,280 | 17,463,823 |
| EXPENDITURES | | | | | |
| General Support | $ 2,083,589 | $ 2,324,670 | $ 2,104,786 | $ 2,079,363 | $ 2,148,398 |
| Instruction | 9,051,828 | 9,188,349 | 8,371,346 | 9,110,379 | 9,326,636 |
| Pupil Transportation | 999,135 | 999,135 | 892,631 | 1,007,496 | 1,018,304 |
| Community Services | 16,869 | 16,869 | 15,877 | - | 23,700 |
| Employee Benefits | 3,944,159 | 3,562,757 | 3,139,515 | 3,933,342 | 3,875,000 |
| Debt Service | 1,437,800 | 1,437,800 | 1,181,695 | 1,660,068 | 1,555,633 |
| Total Expenditures | $ 17,533,380 | $ 17,529,580 | $ 15,705,850 | $ 17,790,648 | $ 17,947,671 |
| Other Uses: | | | | | |
| Interfund Transfers | 110,500 | 114,300 | 114,220 | - | 114,000 |
| Total Expenditures and Other Uses | 17,643,880 | 17,643,880 | 15,820,070 | 17,790,648 | 18,061,671 |
| Excess (Deficit) Revenues Over Expenditures | (357,368) | (357,368) | 1,566,945 | (357,368) | (597,848) |
| FUND BALANCE | | | | | |
| Fund Balance - Beginning of Year | 357,368 | 357,368 | 4,966,113 | 357,368 | 597,848 |
| Prior Period Adjustments (net) | - | - | 951,346 | - | - |
| Fund Balance - End of Year | $ - | $ - | $ 7,484,404 | $ - | $ - |

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

## BONDED DEBT SERVICE

| Fiscal Year Ending June 30th | Excluding this issuance Principal | Interest | Total | Principal of the Bonds | Principal of all Issues |
|---|---|---|---|---|---|
| 2020 | $ 775,000 | $ 154,650 | $ 929,650 | $ - | $ 775,000 |
| 2021 | 795,000 | 130,013 | 925,013 | 240,000 | 1,035,000 |
| 2022 | 645,000 | 104,663 | 749,663 | 245,000 | 890,000 |
| 2023 | 665,000 | 87,450 | 752,450 | 255,000 | 920,000 |
| 2024 | 680,000 | 69,350 | 749,350 | 260,000 | 940,000 |
| 2025 | 590,000 | 50,825 | 640,825 | 265,000 | 855,000 |
| 2026 | 605,000 | 36,875 | 641,875 | 275,000 | 880,000 |
| 2027 | 390,000 | 22,575 | 412,575 | 285,000 | 675,000 |
| 2028 | 400,000 | 14,775 | 414,775 | 290,000 | 690,000 |
| 2029 | 210,000 | 5,775 | 215,775 | 305,000 | 515,000 |
| 2030 | - | - | - | 315,000 | 315,000 |
| 2031 | - | - | - | 330,000 | 330,000 |
| 2032 | - | - | - | 100,000 | 100,000 |
| 2033 | - | - | - | 100,000 | 100,000 |
| 2034 | - | - | - | 105,000 | 105,000 |
| 2035 | - | - | - | 15,000 | 15,000 |
| TOTALS | $ 5,755,000 | $ 676,950 | $ 6,431,950 | $ 3,385,000 | $ 9,140,000 |

## CURRENT BONDS OUTSTANDING

| Fiscal Year Ending June 30th | 2009 Reconstruction Principal | Interest | Total | 2015 Refunding of 2007 bonds Principal | Interest | Total |
|---|---|---|---|---|---|---|
| 2020 | $ 95,000 | $ 22,875 | $ 117,875 | $ 350,000 | $ 59,600 | $ 409,600 |
| 2021 | 100,000 | 18,838 | 118,838 | 360,000 | 45,600 | 405,600 |
| 2022 | 105,000 | 14,588 | 119,588 | 195,000 | 31,200 | 226,200 |
| 2023 | 110,000 | 10,125 | 120,125 | 205,000 | 25,350 | 230,350 |
| 2024 | 115,000 | 5,175 | 120,175 | 205,000 | 19,200 | 224,200 |
| 2025 | - | - | - | 215,000 | 13,050 | 228,050 |
| 2026 | - | - | - | 220,000 | 6,600 | 226,600 |
| TOTALS | $ 525,000 | $ 71,600 | $ 596,600 | $ 1,750,000 | $ 200,600 | $ 1,950,600 |

| Fiscal Year Ending June 30th | 2017 Reconstruction Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 330,000 | $ 72,175 | $ 402,175 |
| 2021 | 335,000 | 65,575 | 400,575 |
| 2022 | 345,000 | 58,875 | 403,875 |
| 2023 | 350,000 | 51,975 | 401,975 |
| 2024 | 360,000 | 44,975 | 404,975 |
| 2025 | 375,000 | 37,775 | 412,775 |
| 2026 | 385,000 | 30,275 | 415,275 |
| 2027 | 390,000 | 22,575 | 412,575 |
| 2028 | 400,000 | 14,775 | 414,775 |
| 2029 | 210,000 | 5,775 | 215,775 |
| TOTALS | $ 3,480,000 | $ 404,750 | $ 3,884,750 |

## CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

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

(i) to the Electronic Municipal Market Access ("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, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement dated June 1, 2020 of the District relating to the Bonds under the headings "THE SCHOOL DISTRICT", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than Appendix C, D, E & F and any appendix related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending June 30, 2020, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2020; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bond, unscheduled draws on credit enhancements reflecting financial difficulties

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

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

(g) modifications to rights of bondholders, if material

(h) Bond calls, if material and tender offers

(i) defeasances

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

(k) rating changes

(l) bankruptcy, insolvency, receivership or similar event of the 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 bondholders, 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 Bonds.

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 Bonds.

For the purposes of the event identified in (ii) (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 an obligated person 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 obligated person, 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 obligated person.

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 Bonds; 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.

(iii) in a timely manner to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforedescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The District reserves the right to terminate its obligations to provide the aforedescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Bonds 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 Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District's obligations under its continuing disclosure undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds 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.

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

## MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES

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 Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the School 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 Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC 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 securities, 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 securities, or other material events affecting the tax status of the Notes

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

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

(m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if 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 School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School 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 government authority has assumed jurisdiction over substantially all of the assets or business of the School 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 School 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 School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Notes; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District has agreed to provide, or course to be provided, during the period in which the Notes are outstanding in a timely manner, to EMMA or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of its failure to provide the aforedescribed material event notices, if any, on or before the date specified.

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

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

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

**FORM OF BOND COUNSEL'S OPINION – THE BONDS**

June 18, 2020

Southern Cayuga Central School District,
Counties of Cayuga and Tompkins,
State of New York

Re: Southern Cayuga Central School District, Cayuga and Tompkins Counties, New York
$3,385,000 School District (Serial) Bonds, 2020

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $3,385,000 School District (Serial) Bonds, 2020 (the "Obligations"), of the Southern Cayuga Central School District, Counties of Cayuga and Tompkins, State of New York (the "Obligor"), dated June 18, 2020, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds, in such amounts as hereinafter set forth, bearing interest at the rate of ______ per centum (______%) per annum, payable on December 15, 2020 and semi-annually thereafter on June 15 and December 15, and maturing in the amount of $________ on June 15, 2021, $________ on June 15, 2022, $________ on June 15, 2023, $________ on June 15, 2024, $________ on June 15, 2025, $________ on June 15, 2026, $________ on June 15, 2027, $________ on June 15, 2028, $________ on June 15, 2029, $________ on June 15, 2030, $________ on June 15, 2031, $________ on June 15, 2032, $________ on June 15, 2033, $________ on June 15, 2034 and $________ on June 15, 2035.

The Obligations maturing on or before June 15, 2028 shall not be subject to redemption prior to maturity. The Obligations maturing on or after June 15, 2029 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the County on June 15, 2028 or on any date thereafter at par, plus accrued interest to the date of redemption.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, 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 Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

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. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations 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 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 Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage 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 municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions 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 Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, 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 the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

**FORM OF BOND COUNSEL'S OPINION – THE NOTES**

July 9, 2020

Southern Cayuga Central School District,
Counties of Cayuga and Tompkins,
State of New York

Re: Southern Cayuga Central School District, Cayuga and Tompkins Counties, New York
$315,000 Bond Anticipation Notes, 2020 (Renewals) Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $315,000 Bond Anticipation Notes, 2020 (Renewals) Series A (the "Obligations"), of the Southern Cayuga Central School District, Cayuga and Tompkins Counties, State of New York (the "Obligor"), dated July 9, 2020, in the denomination of $_________, bearing interest at the rate of . % per annum, payable at maturity, and maturing July 9, 2021.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, for which the Obligor has validly pledged its faith and credit for the payment thereof. All the taxable real property within the Obligor is subject to the levy of ad valorem taxes to pay the principal and interest on the Obligations without limitation as to rate or amount. The enforceability (but not the validity) of the Obligations (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State of the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations..

Certain agreements, 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 Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

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. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations 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 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 Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage 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 municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions 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 Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, 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 the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT
## CAYUGA AND TOMPKINS COUNTIES, NEW YORK

## AUDITED FINANCIAL STATEMENTS

### FISCAL YEAR ENDED JUNE 30, 2019

**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.**

**Insero &Co CPAs, LLP, 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. Insero &Co CPAs, LLP also has not performed any procedures relating to this Official Statement.**

# SOUTHERN CAYUGA
# CENTRAL SCHOOL DISTRICT

## Aurora, New York

## FINANCIAL REPORT

## For the Year Ended
## June 30, 2019

insero&co

Certified Public Accountants | Business Advisors

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

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# INDEPENDENT AUDITORS' REPORT

Board of Education
Southern Cayuga Central School District
Aurora, 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 Southern Cayuga Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

***Opinions***
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***
The financial statements of Southern Cayuga Central School District, as of June 30, 2018 were audited by other auditors, whose report dated September 21, 2018 expressed an unmodified opinion on the financial statements.

***Emphasis of a Matter***
As described in Note 17 to the financial statements, the June 30, 2018 net position has been restated to account for an updated appraisal of the School District's capital assets. Fund balance was also restated for the correction of errors. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Proportionate Share of the Net Pension Asset/Liability information, and related notes on pages 4-4j and 48-56 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 School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 57-59 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2019

The following is a discussion and analysis of the Southern Cayuga Central School District's (the School District) financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in a decrease of Government-wide expenses of $787,752.

- The School District ended the year with a total net deficit of $12,161,674, an increase of $1,840,026 from the prior year. The year end net position was composed of $5,995,115 in restricted, $6,288,922 in net investment in capital assets, and $24,445,711 in unrestricted net deficit. The unrestricted net deficit increased $886,372 compared to the prior year. The unrestricted net deficit at June 30, 2019 is primarily attributable to the recognition of accumulated OPEB liability as well as increases in restricted net position.

- Capital asset additions during 2019 amounted to $2,119,568 for the purchase of vehicles, equipment, and construction in progress expenditures. Depreciation expense was $786,344 for the current year. Net book value of the disposed assets was $5,191,065, including a change in estimated value of capital assets of $5,076,628 based on an updated appraisal.

- The School District had $11,122,641 in outstanding debt at year end, an increase of $1,208,289 from the prior year. This was primarily the result of new BANs; partially offset by principal payments on outstanding long-term debt.

- Expenses exceeded revenues by $1,840,026 in 2019, compared to revenues exceeding expenses by $762,909 in 2018.

- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by $1,543,640 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of $1,565,945. General Fund revenues and other financing sources exceeded the budgeted amounts by $232,226.

- Total fund balance in the General Fund, including reserves, was $7,484,404 at June 30, 2019. Nonspendable fund balance of $33,378 consisted of prepaid expenses; restricted fund balance of $5,422,480 consisted of General Fund restricted reserves; assigned fund balance of $637,538 consisted of $280,170 in encumbrances and $357,368 in appropriations to support the 2019-2020 budget; with $1,391,008 in unassigned fund balance remaining, which is above the maximum limit (4% of 2019-2020 appropriations) permitted under New York State Real Property Tax Law.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Changes in the School District's total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and Schedules of School District Contributions and Proportionate Share of Net Pension (Asset) Liability.

### District-wide Financial Statements

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

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

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities. In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

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

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

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

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net deficit for fiscal year ended June 30, 2019 increased by $1,840,026. Our analysis below focuses on the net position (*Figure 1*) and changes in net position *(Figure 2)* of the School District's Governmental Activities.

***Figure 1***

| *Condensed Statement of Net Position* | *Governmental Activities and Total School District* | | *Total Dollar Change* |
|---|---|---|---|
| | *2018* | *2019* | *2018 - 2019* |
| *Current Assets* | $ 5,189,673 | $ 4,012,656 | $ (1,177,017) |
| *Noncurrent Assets* | 2,562,073 | 6,470,357 | 3,908,284 |
| *Capital Assets, Net* | 20,345,844 | 16,488,003 | (3,857,841) |
| ***Total Assets*** | **28,097,590** | **26,971,016** | **(1,126,574)** |
| *Pensions* | 3,802,602 | 3,375,492 | (427,110) |
| *Other Postemployment Benefits* | 1,242,335 | 1,320,234 | 77,899 |
| *Deferred Charges on Defeased Debt* | 58,717 | 43,560 | (15,157) |
| ***Total Deferred Outflows of Resources*** | **5,103,654** | **4,739,286** | **(364,368)** |
| *Current Liabilities* | 5,469,341 | 7,152,976 | 1,683,635 |
| *Noncurrent Liabilities* | 33,316,096 | 30,873,325 | (2,442,771) |
| ***Total Liabilities*** | **38,785,437** | **38,026,301** | **(759,136)** |
| *Pensions* | 1,160,984 | 873,847 | (287,137) |
| *Other Postemployment Benefits* | 3,576,471 | 4,971,828 | 1,395,357 |
| ***Total Deferred Inflows of Resources*** | **4,737,455** | **5,845,675** | **1,108,220** |
| *Net Investment in Capital Assets* | 10,532,663 | 6,288,922 | (4,243,741) |
| *Restricted* | 2,705,028 | 5,995,115 | 3,290,087 |
| *Unrestricted (Deficit)* | (23,559,339) | (24,445,711) | (886,372) |
| ***Total Net (Deficit)*** | **$ (10,321,648)** | **$ (12,161,674)** | **$ (1,840,026)** |

The decrease in current assets and the increase in noncurrent assets are primarily due to increases in board approved reserves, the establishment and funding of a new capital reserve and the reserve for Teacher's Retirement System (TRS) contributions. The decrease in capital assets is a result of a change in the estimated value of capital assets stemming from a full appraisal performed during the year. This was partially offset by current year capital outlay exceeding depreciation expense.

The increase in noncurrent assets and the changes in deferred outflows of resources - pensions, and deferred inflows of resources - pensions, are related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liability and related deferred outflows and inflows of resources.

The increase in current liabilities is primarily due to increases in BANs payable, deferred revenues, and amounts due to pension plans, partially offset by decreases in the current portion of long-term debt, accounts payable, and compensated absences.

Changes in noncurrent liabilities, deferred outflows of resources - OPEB, and deferred inflows of resources - OPEB are primarily due to recognition of GASB Statement No. 75, based on an actuarial valuation of the School District's OPEB plan, as well as regular principal payments on long-term debt.

Net investment in capital assets decreased due to the decrease in the net book value of disposed fixed assets related to the appraisal, partially offset by capital outlay and debt principal payments in excess of debt proceeds and depreciation expense for the current year. The increase in restricted net position is primarily based on increases in board approved reserves in the General Fund. Unrestricted net deficit increased based on the change in GASB Statement No. 75 OPEB liability and results of operations. Our analysis in *Figure 2* considers the operations of the School District's activities.

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

***Figure 2***

| ***Changes in Net Position*** | ***Governmental Activities and Total School District*** | | ***Total Dollar Change*** |
|---|---|---|---|
| | ***2018*** | ***2019*** | ***2018 - 2019*** |
| *REVENUES* | | | |
| *Program Revenues:* | | | |
| *Charges for Services* | $ 177,453 | $ 142,897 | $ (34,556) |
| *Operating Grants* | 899,245 | 843,785 | (55,460) |
| *Capital Grants* | | 305,169 | 305,169 |
| *General Revenues:* | | | |
| *Real Property Taxes* | 7,125,736 | 7,239,028 | 113,292 |
| *Real Property Tax Items* | 820,632 | 791,255 | (29,377) |
| *State Sources* | 8,630,861 | 8,874,893 | 244,032 |
| *Use of Money and Property* | 36,938 | 119,425 | 82,487 |
| *Medicaid Reimbursement* | 60,234 | 88,007 | 27,773 |
| *Other General Revenues* | 236,755 | 329,572 | 92,817 |
| *Special Item:* | | | |
| *Change in Estimated Value of Capital Assets* | | (5,076,628) | (5,076,628) |
| ***Total Revenues*** | **$ 17,987,854** | **$ 13,657,403** | **$ (4,330,451)** |
| *PROGRAM EXPENSES* | | | |
| *General Support* | $ 2,267,345 | $ 2,084,207 | $ (183,138) |
| *Instruction* | 12,954,770 | 11,531,234 | (1,423,536) |
| *Pupil Transportation* | 1,403,592 | 1,352,042 | (51,550) |
| *Community Services* | 33,211 | 21,142 | (12,069) |
| *School Lunch Program* | 290,389 | 294,460 | 4,071 |
| *Interest on Debt* | 275,638 | 214,344 | (61,294) |
| ***Total Expenses*** | **$ 17,224,945** | **$ 15,497,429** | **$ (1,727,516)** |
| ***CHANGE IN NET POSITION*** | **$ 762,909** | **$ (1,840,026)** | **$ (2,602,935)** |

Total revenues for the School District's Governmental Activities, without the special item, increased by $746,179, or 4.1%, and total expenses decreased $1,727,516, or 10.0%. Charges for services decreased based on decreases in school tuition collected. Operating grants decreased primarily due to decreases in state and federal program aid received during the current year. Capital grants increased due to SMART School State aid for capital projects. State sources increased primarily due to increases in general aid. Property tax increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. Use of money and property increased due to increased interest earned by investing in short term CD's throughout the year. The change in estimated value of capital assets is the decreased special item resulting from a full appraisal performed during the year. The decrease in total expenses is primarily due to the net effect of GASB Statement No. 75 recognition in comparison to the prior year.

*Figures 3* and *4* show the sources of revenue for 2019 and 2018.

***Figure 3***

***Sources of Revenue for 2019***

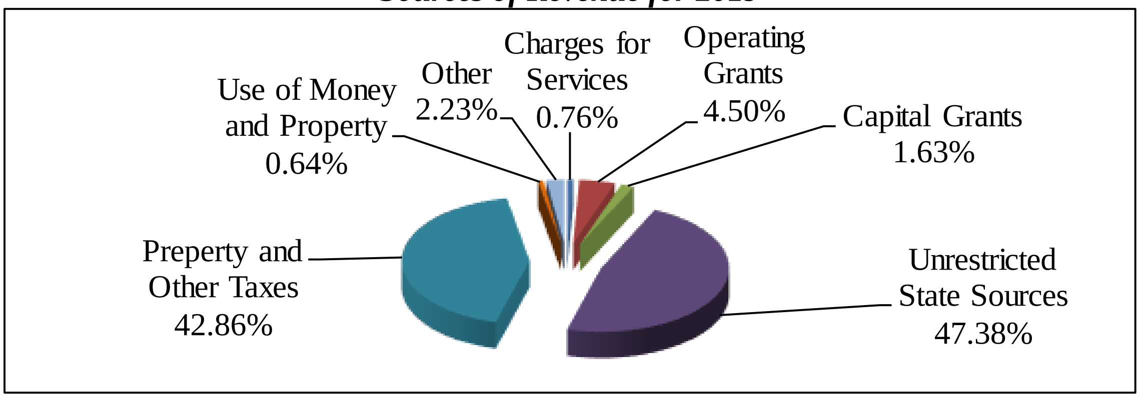
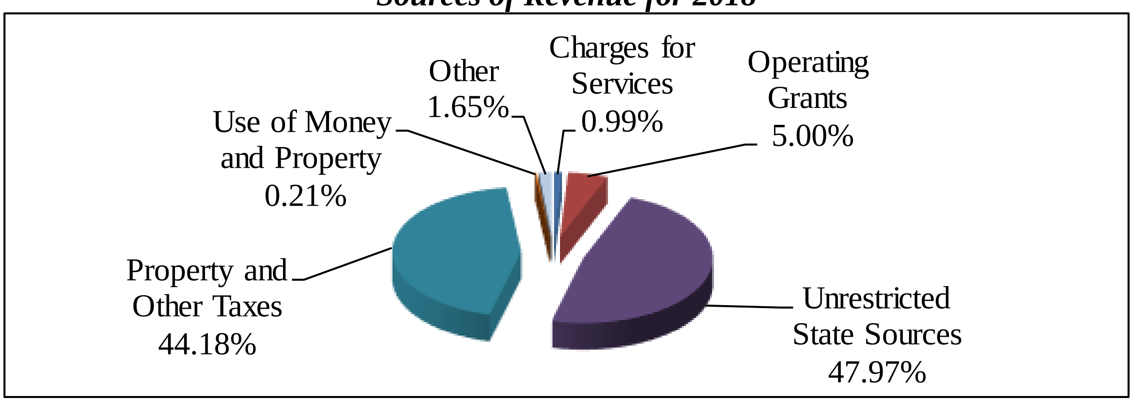



***Figure 4***

***Sources of Revenue for 2018***



*Figures 5* and *6* present the cost of each of the School District's programs for 2019 and 2018.

***Figure 5***

***Cost of Programs for 2019***

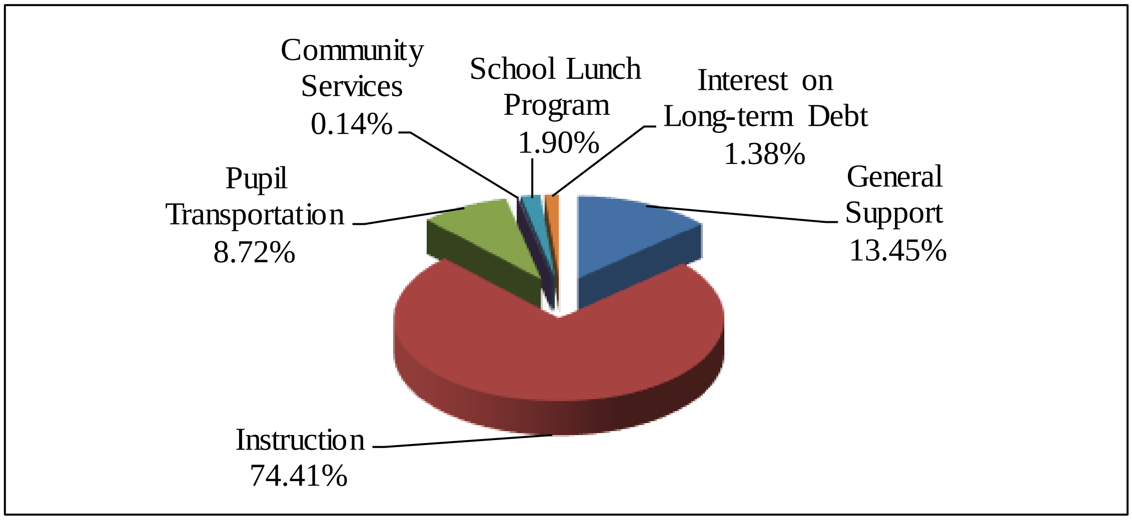
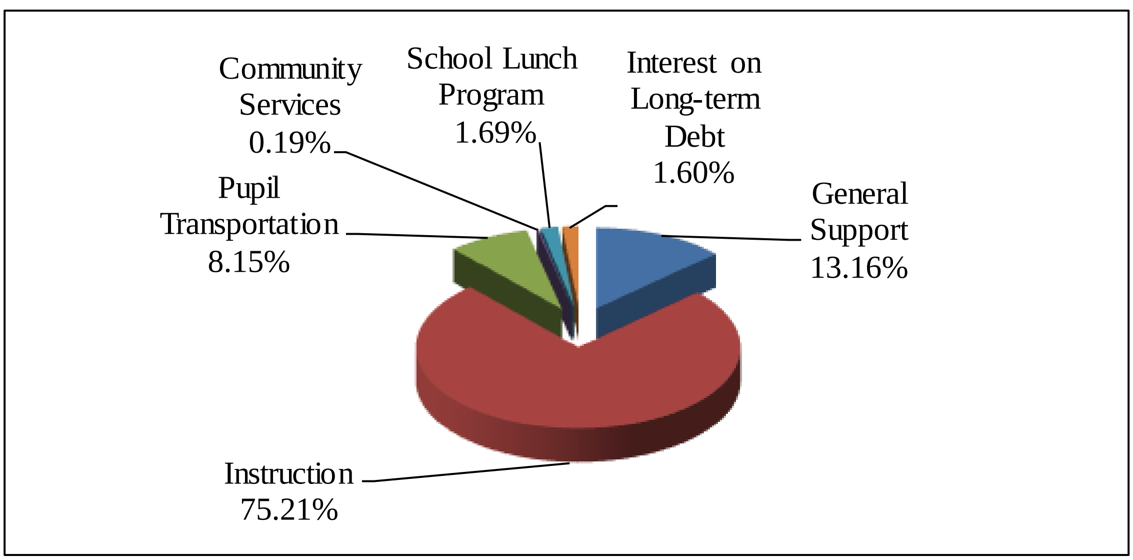



***Figure 6***

***Cost of Programs for 2018***



## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

*Figure 7* shows the changes in fund balance for the year for the School District's Major Funds.

As the School District completed the year, its Governmental Funds, as presented in the Governmental Fund Balance Sheet, reported a combined unassigned deficit of $(3,002,890), an assigned fund balance of $637,538, a nonspendable balance of $45,601 and a restricted fund balance of $5,941,896 at June 30, 2019. The capital fund balance decreased due to capital outlay exceeding revenue.

***Figure 7***

| Governmental Fund Balances | 2018 | 2019 | Total Dollar Change 2018 - 2019 |
|---|---|---|---|
| *Major Funds:* | | | |
| *General Fund* | $ 5,917,459 | $ 7,484,404 | $ 1,566,945 |
| *School Lunch Fund* | 59,542 | 120,476 | 60,934 |
| *Debt Service Fund* | 386,141 | 411,163 | 25,022 |
| *Capital Projects Fund* | (3,295,672) | (4,393,898) | (1,098,226) |
| ***Total Governmental Funds*** | **$ 3,067,470** | **$ 3,622,145** | **$ 554,675** |

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District revised the budget several times. Budget amendments consisted of budget transfers between functions. Revenues and other financing sources were $232,226 over budget, while expenditures were $1,543,640 under budget.

*Figure 8* summarizes the original and final budgets, actual expenditures (including encumbrances), and variances for the year ending June 30, 2019.

***Figure 8***

| *Condensed Budgetary Comparison General Fund - 2019* | *Original Budget* | *Revised Budget* | *Actual w/ Encumbrances* | *Favorable (Unfavorable) Variance* |
|---|---|---|---|---|
| *REVENUES* | | | | |
| *Real Property Taxes* | $ 7,234,383 | $ 7,234,383 | $ 7,239,028 | $ 4,645 |
| *Other Tax Items* | 792,583 | 792,583 | 791,255 | (1,328) |
| *State Sources* | 8,926,323 | 8,926,323 | 8,818,012 | (108,311) |
| *Other, Including Financing Sources* | 201,500 | 201,500 | 538,720 | 337,220 |
| ***Total Revenues and Other Financing Sources*** | **$ 17,154,789** | **$ 17,154,789** | **$ 17,387,015** | **$ 232,226** |
| ***Appropriated Fund Balances and Encumbrances*** | **$ 489,091** | **$ 489,091** | **$ -** | **$ -** |
| *EXPENDITURES* | | | | |
| *General Support* | $ 2,083,589 | $ 2,324,670 | $ 2,175,656 | $ 149,014 |
| *Instruction* | 9,051,828 | 9,188,349 | 8,555,316 | 633,033 |
| *Pupil Transportation* | 999,135 | 999,135 | 917,961 | 81,174 |
| *Community Services* | 16,869 | 16,869 | 15,877 | 992 |
| *Employee Benefits* | 3,944,159 | 3,562,757 | 3,139,515 | 423,242 |
| *Debt Service* | 1,437,800 | 1,437,800 | 1,181,695 | 256,105 |
| *Other Financing Uses* | 110,500 | 114,300 | 114,220 | 80 |
| ***Total Expenditures and Other Financing Uses*** | **$ 17,643,880** | **$ 17,643,880** | **$ 16,100,240** | **$ 1,543,640** |

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2019, the School District had invested in a broad range of capital assets. This amount represents a net decrease (including additions, deductions, change in estimate, and depreciation expense) of $3,857,841 from last year.

***Figure 9***

| *Changes in Capital Assets* | *2018* | *2019* | *Total Dollar Change 2018 - 2019* |
|---|---|---|---|
| *Land* | $ 65,500 | $ 65,500 | $ - |
| *Construction in Progress* | - | 767,330 | 767,330 |
| *Buildings, Net* | 18,287,764 | 13,688,163 | (4,599,601) |
| *Furniture and Equipment, Net* | 1,992,580 | 1,967,010 | (25,570) |
| ***Total*** | **$ 20,345,844** | **$ 16,488,003** | **$ (3,857,841)** |

Capital asset activity for the year ended June 30, 2019 included the following:

| | |
|---|---|
| Additions: | |
| Construction in Progress | $ 1,661,223 |
| Buildings | 11,153 |
| Equipment | 447,192 |
| **Total Additions** | 2,119,568 |
| | |
| Reappraisal, Reclassifications and Disposals: | |
| Construction in Progress | (1,053,501) |
| Buildings | 1,053,501 |
| Equipment | (419,951) |
| Depreciation | 305,514 |
| Change in Estimated Value of Capital Assets | (5,076,628) |
| **Total Reappraisal, Reclassifications and Disposals** | (5,191,065) |
| | |
| Less Depreciation Expense | (786,344) |
| | |
| **Net Decrease in Capital Assets** | **$ (3,857,841)** |

**Debt Administration**

Short-term and long-term debt increased in the current year due to the issuance of bond anticipation notes in the amounts of $3,620,000 and $1,673,935, as shown in *Figure 10*. Total indebtedness represented 18.2% of the statutory debt limit, exclusive of building aid estimates.

***Figure 10***

| ***Outstanding Debt*** | ***Governmental Activities and Total School District*** | | ***Total Dollar Change*** |
|---|---|---|---|
| | ***2018*** | ***2019*** | ***2018 - 2019*** |
| *Bond Anticipation Notes* | $ 3,310,000 | $ 5,293,935 | $ 1,983,935 |
| *General Obligation Bonds* | 6,604,352 | 5,828,706 | (775,646) |
| ***Total*** | **$ 9,914,352** | **$ 11,122,641** | **$ 1,208,289** |

The School District's bond rating is Standard & Poor's A+, which did not change from the prior year.

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

## FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The School District management does not anticipate or have knowledge of proposed state mandates which will significantly impact the District's financial position for 2019-2020.

- The School District continues to experience a decline in enrollments due to limited economic opportunities in the School District's community and surrounding areas. Below is a listing of the current and recent enrollments.

| Year | Enrollment |
|---|---|
| 2013-2014 | 740 |
| 2014-2015 | 717 |
| 2015-2016 | 699 |
| 2016-2017 | 692 |
| 2017-2018 | 693 |
| 2018-2019 | 704 |

- The School District plans to maintain all of its academic programs at the current level for the 2019-2020 year.

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Southern Cayuga Central School District, at 2384 State Route 34B, Aurora, New York 13026.

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## STATEMENT OF NET POSITION
## JUNE 30, 2019

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash - Unrestricted | $ 1,825,835 |
| Cash - Restricted | 991,953 |
| Receivables: | |
| State and Federal Aid | 635,918 |
| Due from Other Governments | 489,239 |
| Other | 24,110 |
| Inventories | 12,223 |
| Prepaid Expenses | 33,378 |
| **Total Current Assets** | 4,012,656 |
| | |
| **Noncurrent Assets** | |
| Restricted Cash | 5,886,862 |
| Capital Assets, Net: | |
| Nondepreciable Capital Assets | 832,830 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 15,655,173 |
| Net Pension Asset - Proportionate Share | 583,495 |
| **Total Noncurrent Assets** | 22,958,360 |
| | |
| **Total Assets** | 26,971,016 |
| | |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Charges on Refunding | 43,560 |
| Other Postemployment Benefits | 1,320,234 |
| Pensions | 3,375,492 |
| | |
| **Total Deferred Outflows of Resources** | 4,739,286 |
| | |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Payables: | |
| Accounts Payable | 206,720 |
| Retainage Payable | 14,084 |
| Due to Other Governments | 641 |
| Bond Interest and Matured Bonds | 78,706 |
| Bond Anticipation Notes Payable | 5,293,935 |
| Due to Teachers' Retirement System | 621,926 |
| Due to Employees' Retirement System | 56,548 |
| Compensated Absences Payable | 45,486 |
| Unearned Revenues - Other | 38,033 |
| Current Portion of Long-term Obligations: | |
| Bonds Payable | 796,897 |
| **Total Current Liabilities** | 7,152,976 |

## STATEMENT OF NET POSITION (Continued)
## JUNE 30, 2019

| | |
|---|---|
| **LIABILITIES (Continued)** | |
| **Noncurrent Liabilities** | |
| Bonds Payable | $ 5,031,809 |
| Compensated Absences Payable | 128,204 |
| Other Postemployment Benefits Liability | 25,408,563 |
| Net Pension Liability - Proportionate Share | 304,749 |
| **Total Noncurrent Liabilities** | 30,873,325 |
| | |
| **Total Liabilities** | 38,026,301 |
| | |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Other Postemployment Benefits | 4,971,828 |
| Pensions | 873,847 |
| **Total Deferred Inflows of Resources** | 5,845,675 |
| | |
| **NET POSITION** | |
| Net Investment in Capital Assets | 6,288,922 |
| Restricted | 5,995,115 |
| Unrestricted (Deficit) | (24,445,711) |
| | |
| **Total Net (Deficit)** | **$ (12,161,674)** |

*See Notes to Basic Financial Statements*

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2019

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants | Capital Grants | |
| **FUNCTIONS/PROGRAMS** | | | | | |
| General Support | $ 2,084,207 | $ | $ | $ | $ (2,084,207) |
| Instruction | 11,531,234 | 7,743 | 612,372 | 305,169 | (10,605,950) |
| Pupil Transportation | 1,352,042 | | | | (1,352,042) |
| Community Services | 21,142 | | | | (21,142) |
| School Lunch Program | 294,460 | 135,154 | 231,413 | | 72,107 |
| Interest on Debt | 214,344 | | | | (214,344) |
| **Total Functions and Programs** | **$ 15,497,429** | **$ 142,897** | **$ 843,785** | **$305,169** | (14,205,578) |

| | |
|---|---|
| **GENERAL REVENUES** | |
| Real Property Taxes | 7,239,028 |
| Real Property Tax Items | 791,255 |
| Use of Money and Property | 119,425 |
| Unrestricted State Sources | 8,874,893 |
| Medicaid Reimbursement | 88,007 |
| Sale of Property and Compensation for Loss | 31,002 |
| Miscellaneous | 298,570 |
| **SPECIAL ITEM** | |
| Change in Estimated Value of Capital Assets | (5,076,628) |
| **Total General Revenues** | 12,365,552 |
| Change in Net Position | (1,840,026) |
| Total Net (Deficit) - Beginning of Year, as Restated | (10,321,648) |
| **Total Net (Deficit) - End of Year** | **$ (12,161,674)** |

*See Notes to Basic Financial Statements*

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS
## JUNE 30, 2019

| | Major Funds | | |
|---|---|---|---|
| | | Special Revenue Funds | |
| | General Fund | Special Aid Fund | School Lunch Fund |
| **ASSETS** | | | |
| Cash - Unrestricted | $ 1,783,217 | $ 1,740 | $ |
| Cash - Restricted | 5,475,699 | | 91,953 |
| Due from Other Funds | 128,214 | | |
| Due from State and Federal Governments | 490,127 | 128,551 | 17,240 |
| Due from Other Governments | 489,239 | | |
| Other Receivables, Net | 23,433 | | 677 |
| Prepaid Expenses | 33,378 | | |
| Inventories | | | 12,223 |
| **Total Assets** | **$ 8,423,307** | **$ 130,291** | **$ 122,093** |
| **LIABILITIES** | | | |
| Payables: | | | |
| Accounts Payable | $ 79,149 | $ 449 | $ 976 |
| Due to Other Funds | 104,844 | 122,759 | |
| Due to Other Governments | | | 641 |
| Due to Teachers' Retirement System | 621,926 | | |
| Due to Employees' Retirement System | 56,548 | | |
| Bond Anticipation Notes Payable | | | |
| Compensated Absences Payable | 45,486 | | |
| Unearned Revenues | 30,950 | 7,083 | |
| **Total Liabilities** | 938,903 | 130,291 | 1,617 |
| **FUND BALANCES** | | | |
| Nonspendable | 33,378 | | 12,223 |
| Restricted | 5,422,480 | | 108,253 |
| Assigned | 637,538 | | |
| Unassigned | 1,391,008 | | |
| **Total Fund Balances** | 7,484,404 | - | 120,476 |
| **Total Liabilities and Fund Balances** | **$ 8,423,307** | **$ 130,291** | **$ 122,093** |

*See Notes to Basic Financial Statements*

| **Major Funds** | | |
|---|---|---|
| **Debt Service Fund** | **Capital Projects Fund** | **Total Governmental Funds** |
| $ | $ 40,878 | $ 1,825,835 |
| | 1,311,163 | 6,878,815 |
| 411,163 | 104,844 | 644,221 |
| | | 635,918 |
| | | 489,239 |
| | | 24,110 |
| | | 33,378 |
| | | 12,223 |
| **$ 411,163** | **$ 1,456,885** | **$ 10,543,739** |
| | | |
| $ | $ 140,230 | $ 220,804 |
| | 416,618 | 644,221 |
| | | 641 |
| | | 621,926 |
| | | 56,548 |
| | 5,293,935 | 5,293,935 |
| | | 45,486 |
| | | 38,033 |
| - | 5,850,783 | 6,921,594 |
| | | |
| | | 45,601 |
| 411,163 | | 5,941,896 |
| | | 637,538 |
| | (4,393,898) | (3,002,890) |
| 411,163 | (4,393,898) | 3,622,145 |
| **$ 411,163** | **$ 1,456,885** | **$ 10,543,739** |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
## TO THE STATEMENT OF NET POSITION
## JUNE 30, 2019

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds** | | **$ 3,622,145** |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because: | | |
| Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. | | |
| Total Historical Cost | $ 27,176,785 | |
| Less Accumulated Depreciation | (10,688,782) | 16,488,003 |
| The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds. | | |
| TRS Net Pension Asset - Proportionate Share | $ 583,495 | |
| ERS Net Pension Liability - Proportionate Share | (304,749) | 278,746 |
| Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds. | | |
| Deferred Charges on Defeased Debt | $ 43,560 | |
| Other Postemployment Benefits Deferred Outflows of Resources | 1,320,234 | |
| ERS Deferred Outflows of Resources - Pension | 303,066 | |
| TRS Deferred Outflows of Resources - Pension | 3,072,426 | |
| Other Postemployment Benefits Deferred Inflows of Resources | (4,971,828) | |
| ERS Deferred Inflows of Resources - Pension | (113,109) | |
| TRS Deferred Inflows of Resources - Pension | (760,738) | (1,106,389) |
| Long-term liabilities and obligations, including long-term debt payable, amounts due for other postemployment benefits liability, and accrued interest on long-term debt are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Bonds Payable | $ (5,755,000) | |
| Unamortized Bond Premium | (73,706) | |
| Compensated Absences | (128,204) | |
| Other Postemployment Benefits Liability | (25,408,563) | |
| Accrued Interest on Long-term Debt | (78,706) | (31,444,179) |
| **Net (Deficit) of Governmental Activities** | | **$(12,161,674)** |

*See Notes to Basic Financial Statements*

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Major Funds | | |
|---|---|---|---|
| | | Special Revenue Funds | |
| | General Fund | Special Aid Fund | School Lunch Fund |
| **REVENUES** | | | |
| Real Property Taxes | $ 7,239,028 | $ | $ |
| Real Property Tax Items | 791,255 | | |
| Charges for Services | 7,743 | | |
| Use of Money and Property | 118,066 | | |
| Sale of Property and Compensation for Loss | 28,939 | | |
| Miscellaneous | 295,965 | 2,180 | |
| State Sources | 8,818,012 | 167,192 | 7,478 |
| Federal Sources | 88,007 | 502,061 | 223,935 |
| Sales - School lunch | | | 135,154 |
| **Total Revenues** | 17,387,015 | 671,433 | 366,567 |
| **EXPENDITURES** | | | |
| General Support | 2,104,786 | | 142,885 |
| Instruction | 8,371,346 | 685,653 | |
| Pupil Transportation | 892,631 | | |
| Community Services | 15,877 | | |
| Employee Benefits | 3,139,515 | | 10,059 |
| Debt Service: | | | |
| Principal | 935,000 | | |
| Interest | 246,695 | | |
| Cost of Sales | | | 152,689 |
| Capital Outlay | | | |
| **Total Expenditures** | 15,705,850 | 685,653 | 305,633 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 1,681,165 | (14,220) | 60,934 |
| **OTHER FINANCING SOURCES AND (USES)** | | | |
| Bond Anticipation Notes Redeemed from Appropriations | | | |
| Premium on Obligations | | | |
| Operating Transfers In | | 14,220 | |
| Operating Transfers (Out) | (114,220) | | |
| **Total Other Sources (Uses)** | (114,220) | 14,220 | - |
| Net Change in Fund Balances | 1,566,945 | - | 60,934 |
| Fund Balances (Deficit) - Beginning of Year, As Restated | 5,917,459 | | 59,542 |
| **Fund Balances (Deficit) - End of Year** | **$ 7,484,404** | **$ -** | **$ 120,476** |

*See Notes to Basic Financial Statements*

| Major Funds | | |
|---|---|---|
| Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
| $ | $ | $ 7,239,028 |
| | | 791,255 |
| | | 7,743 |
| 1,359 | | 119,425 |
| | 116,500 | 145,439 |
| | 425 | 298,570 |
| | 305,169 | 9,297,851 |
| | | 814,003 |
| | | 135,154 |
| 1,359 | 422,094 | 18,848,468 |
| | | 2,247,671 |
| | | 9,056,999 |
| | | 892,631 |
| | | 15,877 |
| | | 3,149,574 |
| | | 935,000 |
| | | 246,695 |
| | | 152,689 |
| | 1,805,320 | 1,805,320 |
| - | 1,805,320 | 18,502,456 |
| 1,359 | (1,383,226) | 346,012 |
| | 185,000 | 185,000 |
| 23,663 | | 23,663 |
| | 100,000 | 114,220 |
| | | (114,220) |
| 23,663 | 285,000 | 208,663 |
| 25,022 | (1,098,226) | 554,675 |
| 386,141 | (3,295,672) | 3,067,470 |
| **$ 411,163** | **$ (4,393,898)** | **$ 3,622,145** |

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | **$ 554,675** |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceeds capital outlay. | | |
| Capital Outlay | $ 2,119,568 | |
| Reclassifications, Disposal and Reappraisal of Capital Assets, Net | (5,191,065) | |
| Depreciation Expense | (786,344) | (3,857,841) |
| Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds. | | |
| ERS | $ (32,927) | |
| TRS | 77,831 | 44,904 |
| Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of change in bonds issued, repayments, and amortization. | | |
| Amortization of Bond Premium | $ 25,646 | |
| Amortization of Deferred Charges on Defeased Debt | (15,157) | |
| Bond Principal Payment | 750,000 | 760,489 |
| Other long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the (decrease) in the amount that is reported in the Statement of Activities. | | |
| Compensated Absences | $ (128,204) | |
| Other Postemployment Benefits Liability | 787,752 | 659,548 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable decreased from the prior year. | | (1,801) |
| **Net Change in Net Position of Governmental Activities** | | **$ (1,840,026)** |

*See Notes to Basic Financial Statements*

## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## JUNE 30, 2019

| | Private Purpose Trust Fund | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash - Unrestricted | $ | $ 38,348 |
| Cash - Restricted | 125,230 | |
| **Total Assets** | **125,230** | **$ 38,348** |
| **LIABILITIES** | | |
| Extraclassroom Activity Funds Balances | | $ 30,568 |
| Other Liabilities | | 7,780 |
| **Total Liabilities** | **-** | **$ 38,348** |
| **NET POSITION** | | |
| **Reserved for Scholarships** | **$ 125,230** | |

*See Notes to Basic Financial Statements*

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

**STATEMENT OF CHANGES IN NET POSITION**
**FIDUCIARY FUND**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | Private Purpose Trust Fund |
|---|---|
| **ADDITIONS** | |
| Gifts and Contributions | $ 14,675 |
| Investment Earnings | 642 |
| **Total Additions** | **15,317** |
| **DEDUCTIONS** | |
| Scholarships and Awards | 20,176 |
| Change in Net Position | (4,859) |
| Net Position - Beginning of Year | 130,089 |
| **Net Position - End of Year** | **$ 125,230** |

*See Notes to Basic Financial Statements*

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

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

**Reporting Entity**

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

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 85, "Omnibus."

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

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

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

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsible in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 2384 State Route 34B, Aurora, NY.

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

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

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

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

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

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

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

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

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

The School District reports the following Major Governmental Funds:

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

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

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

    - School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

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

- Capital Projects Fund: Accounts for the financial resources used for renovations of the educational complex and bus purchases.

The School District does not have any Non-Major Funds.

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

The School District reports the following Fiduciary Funds:

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Cash and Investments**

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

**Accounts Receivable**

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

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

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

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

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

### Capital Assets
Capital assets are reported at actual cost for acquisitions subsequent to December 2, 2002. For assets acquired prior to December 2, 2002, capital assets are reported at estimated historical cost based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

Depreciation is calculated using the straight-line method. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Buildings | $ 5,000 | 50 Years |
| Building Improvements | 5,000 | 20-50 Years |
| Furniture and Equipment | 5,000 | 5-20 Years |

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

**Vested Employee Benefits - Compensated Absences**
Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

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

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

Consistent with GASB Statement Number 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

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

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

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

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

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

**Unearned and Unavailable Revenue - Continued**
The Governmental Fund financial statements also report a deferred outflow of resources for unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, a deferred outflow of resources for unavailable revenues is removed and revenues are recorded.

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

**Accrued Liabilities and Long-Term Obligations**
Payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgements, 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 School 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.

**Equity Classifications - District-wide Financial Statements**
Equity is classified as net position and displayed in three components:

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

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

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

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

### Equity Classifications - Governmental Fund Financial Statements

The School District follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

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

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

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

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

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

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

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

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

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

The Board of Education of the School District has a policy to maintain an unassigned fund balance of at least 4% of the current year's budgeted expenses.

**Legally Adopted Reserves**
Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

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

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

**Legally Adopted Reserves - Continued**

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

- Retirement Contribution Reserves (GML §6-r) - Used to finance retirement contributions payable to the New York State and Local Employees' and Teachers' Retirement Systems. This reserve may be established without voter approval and funded with budgetary appropriations, revenues not required by law to be paid into other funds or accounts, transfers from other reserve funds as permitted by law and other such funds as the school board may legally appropriate. Funds from this reserve may be expended without voter approval. This reserve is accounted for in the General Fund.

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

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

- Workers' Compensation Reserve (GML Section 6-j) - Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

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

**Legally Adopted Reserves - Continued**

- Repair Reserve (GML §6-d) - Used to pay the cost of repairs to capital improvements or equipment which 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. This reserve is accounted for in the General Fund.

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

**Property Taxes**
Real property taxes are levied annually by the Board of Education no later than September 1. Taxes were collected during the period September 1 to November 13, 2018.

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

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

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

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

**Deferred Outflows and Inflows of Resources**
In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, 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 (expense/expenditure) until then. The School District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District reports deferred outflows of resources related to pensions and OPEB in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to pensions and OPEB which are further described in Notes 10 and 11, respectively.

**New Accounting Standards**
The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2019:

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

- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ended June 30, 2019. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

**Future Changes in Accounting Standards**

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

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

- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.

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

**Future Changes in Accounting Standards - Continued**

- GASB has issued Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2020.

- GASB has issued Statement No. 91, "Conduit Debt Obligations," effective for the year ending June 30, 2022.

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

***Note 2*** **Participation in BOCES**

During the year ended June 30, 2019, the School District's share of BOCES income amounted to $589,986. The School District was billed $2,728,082 for BOCES administration and program costs. Financial statements for Cayuga-Onondaga BOCES are available from the BOCES administrative office at 1879 W. Genesee Street Road, Auburn, New York.

***Note 3*** **Cash and Cash Equivalents - Custodial and Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of $9,398,100 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

1. Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or

2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or

3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

The School District does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

## *Note 3* Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued

The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

The School District did not have any investments at June 30, 2019.

Restricted cash and investments consist of:

| | | |
|---|---|---|
| General Fund Reserves | $ | 5,475,699 |
| Restricted for School Lunch | | 91,953 |
| Restricted for Capital | | 1,311,163 |
| Subtotal | | 6,878,815 |
| Private Purpose Trust Fund | | 125,230 |
| **Total** | **$** | **7,004,045** |

## *Note 4* Due from State and Federal Governments

Due from State and Federal Governments consisted of the following, which are stated at net realizable value.

| | Description | | Amount |
|---|---|---|---|
| General Fund | Excess Cost Aid | $ | 184,958 |
| | Smart Schools Bond Act | | 200,325 |
| | Smart Schools Bond Act Due to Capital Fund | | 104,844 |
| | Total General Fund | | 490,127 |
| Special Aid Fund | Grant Reimbursements | | 128,551 |
| School Lunch Fund | Free and Reduced Meals | | 17,240 |
| **Total** | | **$** | **635,918** |

## *Note 5* Interfund Balances and Activity

Interfund balances at June 30, 2019, are as follows:

| | Interfund Receivable | Interfund Payable | Interfund Revenues | Interfund Expenditures |
|---|---|---|---|---|
| General Fund | $ 128,214 | $ 104,844 | $ | $ 114,220 |
| Special Aid Fund | | 122,759 | 14,220 | |
| Capital Projects Fund | 104,844 | 416,618 | 100,000 | |
| School Lunch Fund | | | | |
| Debt Service Fund | 411,163 | | | |
| **Total** | **$ 644,221** | **$ 644,221** | **$ 114,220** | **$ 114,220** |

***Note 5*** **Interfund Balances and Activity - Continued**

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt.

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

***Note 6*** **Capital Assets**

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

| Governmental Activities | Beginning Balance | Additions | Reappraisal, Reclassifications and Disposals | Ending Balance |
|---|---|---|---|---|
| Capital Assets That Are Not Depreciated: | | | | |
| Land | $ 65,500 | $ | $ | $ 65,500 |
| Construction in Progress | | 1,661,223 | (893,893) | 767,330 |
| Total Nondepreciable Historical Cost | 65,500 | 1,661,223 | (893,893) | 832,830 |
| Capital Assets That Are Depreciated: | | | | |
| Buildings | 28,864,938 | 11,153 | (5,424,911) | 23,451,180 |
| Furniture and Equipment | 3,149,210 | 447,192 | (703,627) | 2,892,775 |
| Total Depreciable Historical Cost | 32,014,148 | 458,345 | (6,128,538) | 26,343,955 |
| Total Historical Cost | 32,079,648 | 2,119,568 | (7,022,431) | 27,176,785 |
| Less Accumulated Depreciation: | | | | |
| Buildings | (10,577,174) | (512,144) | 1,326,301 | (9,763,017) |
| Furniture and Equipment | (1,156,630) | (274,200) | 505,065 | (925,765) |
| Total Accumulated Depreciation | (11,733,804) | (786,344) | 1,831,366 | (10,688,782) |
| **Total Historical Cost, Net** | **$ 20,345,844** | **$ 1,333,224** | **$ (5,191,065)** | **$ 16,488,003** |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General Support | $ 20,796 |
| Instruction | 530,463 |
| Pupil Transportation | 233,765 |
| School Lunch | 1,320 |
| **Total** | **$ 786,344** |

***Note 7*** **Short-term Debt**

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

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

| | **Beginning Balance** | **Issued** | **Refinanced/ Redeemed** | **Ending Balance** |
|---|---|---|---|---|
| BANs | $ 3,310,000 | $ 5,293,935 | $ (3,310,000) | $ 5,293,935 |

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

| | |
|---|---|
| Interest Paid | $ 71,845 |
| Less: Interest Accrued in the Prior Year | (70,076) |
| Plus Interest Accrued in the Current Year | 72,801 |
| (Less) Current Year BAN Premium | (23,663) |
| **Total** | **$ 50,907** |

***Note 8*** **Long-term Debt**

At June 30, 2019, the total outstanding indebtedness of the School District represented 18.2% of its statutory debt limit, exclusive of building aid. Long-term debt is classified as follows:

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

***Note 8*** **Long-term Debt - Continued**

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2019:

| | Issue Date | Final Maturity | Interest Rate | Outstanding June 30, 2019 |
|---|---|---|---|---|
| **Serial Bonds** | | | | |
| Advance Refunding | 08/18/2015 | 06/15/2026 | 2.00% - 4.00% | $ 1,750,000 |
| Unamortized Bond Premium | | | | 73,706 |
| Total | | | | 1,823,706 |
| 2009 Serial Bonds-Excel | 07/18/2009 | 06/15/2024 | 4.00% - 4.50% | 525,000 |
| 2017 Serial Bonds-Capital | 06/22/2017 | 06/15/2029 | 2.00% - 2.75% | 3,480,000 |
| Total | | | | 4,005,000 |
| **Total Bonds** | | | | **$ 5,828,706** |

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

| | |
|---|---|
| Interest Paid | $ 174,850 |
| Less Interest Accrued in the Prior Year | (6,829) |
| Plus Interest Accrued in the Current Year | 5,905 |
| Plus Amortization of Deferred Charges on Defeased Debt | 15,157 |
| Less Amortization of Bond Premium | (25,646) |
| **Total** | **$ 163,437** |

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

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

| Governmental Activities | Beginning Balance | Issued | Redeemed | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Serial Bonds | $ 6,505,000 | $ | $ (750,000) | $ 5,755,000 | $ 775,000 |
| Unamortized Premium | 99,352 | | (25,646) | 73,706 | 21,897 |
| **Total** | **$ 6,604,352** | **$ -** | **$ (775,646)** | **$ 5,828,706** | **$ 796,897** |

Unamortized charges on defeased debt related to the 2015 bond refunding are amortized over the life of the bonds and the balance and activity for the year summarized below:

| Governmental Activities | Beginning Balance | Issued | Redeemed | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Unamortized Charges on Defeased Debt | $ 58,717 | $ - | $ (15,157) | $ 43,560 | $ 12,941 |
| **Total** | **$ 58,717** | **$ -** | **$ (15,157)** | **$ 43,560** | **$ 12,941** |

***Note 8*** **Long-term Debt - Continued**

The following is a summary of the maturity of long-term indebtedness.

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 775,000 | $ 154,650 | $ 929,650 |
| 2021 | 795,000 | 130,013 | 925,013 |
| 2022 | 645,000 | 104,663 | 749,663 |
| 2023 | 665,000 | 87,450 | 752,450 |
| 2024 | 680,000 | 69,350 | 749,350 |
| 2025-2029 | 2,195,000 | 130,825 | 2,325,825 |
| **Total** | **$ 5,755,000** | **$ 676,951** | **$ 6,431,951** |

On August 18, 2015, the School District issued $2,765,000 general obligation bonds, with interest rates ranging between 2.00% and 4.00%. The School District issued the bonds to advance refund the $2,755,000 of outstanding various general obligation bonds with interest rates ranging between 4.00% and 4.20%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the $2,775,000 in bonds was considered defeased and the liability was removed from the financial statements. The outstanding principal of the defeased bonds was $1,780,000 at June 30, 2019.

***Note 9*** **Compensated Absences**

Represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

Compensated absences balances and activity are summarized as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Long-term Compensated Absences | $ - | $ 128,204 | $ | $ 128,204 |
| Short-term Compensated Absences | 134,416 | | (88,930) | 45,486 |
| **Total** | **$ 134,416** | **$ 128,204** | **$ (88,930)** | **$ 173,690** |

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

**Plan Descriptions and Benefits Provided**

**Teachers' Retirement System (TRS) (System)**
The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

**_Note 10_ Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Plan Descriptions and Benefits Provided - Continued**

**Employees' Retirement System (ERS) (System)**
The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

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

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Contributions**

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

| | ERS | TRS |
|---|---|---|
| **2019** | **$ 222,985** | **$ 594,204** |
| 2018 | 232,255 | 647,632 |
| 2017 | 227,993 | 836,676 |

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

At June 30, 2019, the School District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

| | ERS | TRS |
|---|---|---|
| Actuarial Valuation Date | 04/01/2018 | 06/30/2017 |
| Net Pension Asset/Liability | $ 7,085,304,242 | $ (1,808,264,334) |
| School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability | 304,749 | (583,495) |
| School District's Share of the Net Pension Asset/Liability | 0.0043011% | (0.032268)% |

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended June 30, 2019, the School District recognized pension expense of $253,063 for ERS and expense of $450,750 for TRS in the District-wide financial statements. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| | **ERS** | **TRS** | **ERS** | **TRS** |
| Differences Between Expected and Actual Experience | $ 60,011 | $ 436,041 | $ 20,457 | $ 78,984 |
| Changes of Assumptions | 76,601 | 2,039,698 | | |
| Net Differences Between Projected and Actual Earnings on Pension Plan Investments | | | 78,215 | 647,724 |
| Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions | 109,906 | 23,053 | 14,437 | 34,030 |
| School District's Contributions Subsequent to the Measurement Date | 56,548 | 573,634 | | |
| **Total** | **$ 303,066** | **$ 3,072,426** | **$ 113,109** | **$ 760,738** |

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset/liability in the year ending June 30, 2020. 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 Ending | ERS | TRS |
|---|---|---|
| 2020 | $ - | $ 582,758 |
| 2021 | 105,315 | 394,985 |
| 2022 | (31,921) | 39,778 |
| 2023 | 11,587 | 393,611 |
| 2024 | 48,428 | 265,960 |
| Thereafter | | 60,962 |

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

| | **ERS** | **TRS** |
|---|---|---|
| Measurement Date | March 31, 2019 | June 30, 2018 |
| Actuarial Valuation Date | April 1, 2018 | June 30, 2017 |
| Investment Rate of Return | 7.0% | 7.3% |
| Salary Increases | 4.2% | 1.9% - 4.7% |
| Cost of Living Adjustments | 1.3% | 1.5% |
| Inflation Rate | 2.5% | 2.3% |

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

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

ERS, the long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

| | **ERS** | **TRS** |
|---|---|---|
| Measurement Date | March 31, 2019 | June 30, 2018 |
| **Asset Type** | | |
| Domestic Equities | 4.6% | 5.8% |
| International Equities | 6.4% | 7.3% |
| Global Equities | | 6.7% |
| Real Estate | 5.6% | 4.9% |
| Private Equity/Alternative Investments | 7.5% | 8.9% |
| Absolute Return Strategies | 3.8% | |
| Opportunistic Portfolio | 5.7% | |
| Real Assets | 5.3% | |
| Cash | (0.3)% | |
| Inflation-indexed Bonds | 1.3% | |
| Domestic Fixed Income Securities | | 1.3% |
| Global Fixed Income Securities | | 0.9% |
| Private Debt | | 6.8% |
| Real Estate Debt | | 2.8% |
| High-yield Fixed Income Securities | | 3.8% |
| Mortgages and Bonds | 1.3% | |
| Short-term | | 0.3% |

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Discount Rate**

The discount rate used to calculate the total pension asset/liability was 7.0% for ERS and 7.25% 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 contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| School District's Proportionate Share of the Net Pension Asset/Liability | $ 1,332,412 | $ 304,749 | $ (558,561) |

| TRS | 1% Decrease (6.25%) | Current Assumption (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| School District's Proportionate Share of the Net Pension Asset/Liability | $ 4,008,707 | $ (583,495) | $ (4,430,485) |

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Pension Plan Fiduciary Net Position**

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

| | Dollars in Thousands | |
|---|---|---|
| | **ERS** | **TRS** |
| Measurement Date | March 31, 2019 | June 30, 2018 |
| Employers' Total Pension Asset/Liability | $ 189,803,429 | $ 118,107,253 |
| Plan Net Position | (182,718,124) | (119,915,518) |
| **Employers' Net Pension Asset/Liability** | **$ 7,085,305** | **$ (1,808,265)** |
| Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability | 96.3% | 101.5% |

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to $56,548.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to $621,926.

## *Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

**Current Year Activity**
The following is a summary of current year activity:

| | Beginning Balance | Change | Ending Balance |
|---|---|---|---|
| **ERS** | | | |
| Net Pension Liability | $ 149,317 | $ 155,432 | $ 304,749 |
| Deferred Outflows of Resources | (539,962) | 236,896 | (303,066) |
| Deferred Inflows of Resources | 472,510 | (359,401) | 113,109 |
| Subtotal | 81,865 | 32,927 | 114,792 |
| **TRS** | | | |
| Net Pension Asset | (243,186) | (340,309) | (583,495) |
| Deferred Outflows of Resources | (3,262,640) | 190,214 | (3,072,426) |
| Deferred Inflows of Resources | 688,474 | 72,264 | 760,738 |
| Subtotal | (2,817,352) | (77,831) | (2,895,183) |
| **Total** | **$ (2,735,487)** | **$ (44,904)** | **$ (2,780,391)** |

## *Note 11* Postemployment Benefits Other than Pensions

**General Information about the OPEB Plan**
Plan Description - The Plan is a single-employer defined benefit healthcare plan. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each three-year period. The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue separate financial statements.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

## *Note 11* Postemployment Benefits Other than Pensions - Continued

### General Information about the OPEB Plan - Continued

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms.

| | |
|---|---|
| Active Employees Not Eligible to Retire | 87 |
| Actives Eligible to Retire | 20 |
| Inactive Employees Entitled to But Not yet Receiving Benefit Payments | 0 |
| Retired and Surviving Spouses | 111 |
| Retiree Spouses Covered | 40 |
| **Total** | **258** |

### Total OPEB Liability

The School District's total OPEB liability of $25,408,563 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Long-Term Bond Rate: | 3.4% |
| Single Discount Rate | 3.4% |
| Salary Scale | 3.4% |
| Marital Assumption | 70.0% |
| Participation Rate | 100.0% |
| Healthcare Cost Trend Rates | 6.4% for 2019, Decreasing to an Ultimate Rate of 3.8% |

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

The salary scale reflects the rate at which payroll amounts are expected to increase over time for purposes of attributing liabilities under Entry Age Normal, Level Percent of Pay actuarial cost method.

Mortality rates were based on the Scale MP-2016 (generation mortality) published by the pension mortality study released by the Society of Actuaries.

Termination rates were based on the percentage of employees who will terminate employment at the given age each year, for reasons other than death or retirement.

## *Note 11* Postemployment Benefits Other than Pensions - Continued

**Total OPEB Liability - Continued**
Retirement rates are based on tables used by the New York State and Local Retirement System.

The actuarial assumptions used in the Ju1y 1, 2016 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| **Balance at June 30, 2018** | $ 27,513,773 |
| **Changes for the Year** | |
| Service Cost | 512,971 |
| Interest Cost | 977,444 |
| Changes of Benefit Terms | 325,901 |
| Differences Between Expected and Actual Experience | (3,082,688) |
| Changes in Assumptions or Other Inputs Benefit Payments | 111,905 |
| Benefit Payments | (950,743) |
| | (2,105,210) |
| **Balance at June 30, 2019** | **$ 25,408,563** |

Sensitivity of the Total OPEB liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current discount rate:

| | 1% Decrease (2.44)% | Discount Rate (3.44)% | 1% Increase (4.44)% |
|---|---|---|---|
| Total OPEB Liability | $ 29,648,015 | $ 25,408,563 | $ 22,051,046 |

***Note 11*** **Postemployment Benefits Other than Pensions - Continued**

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.20 to 3.32%) or 1 percentage point higher (6.20 to 5.32%) than the current healthcare cost trend rate:

| | 1% Decrease (4.20% to 3.32%) | Trend Rate (5.20% to 4.32%) | 1% Increase (6.20% to 5.32%) |
|---|---|---|---|
| Total OPEB Liability | $ 21,240,342 | $ 25,408,563 | $ 31,448,936 |

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

For the year ended June 30, 2019, the School District recognized OPEB expense of $550,066.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 663,010 | $ 3,542,596 |
| Changes in Assumptions or Other Inputs | 419,538 | 1,429,232 |
| Contributions Subsequent to Measurement Date | 237,686 | |
| **Total** | **$ 1,320,234** | **$ 4,971,828** |

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

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2020 | $ (1,415,639) |
| 2021 | (1,415,639) |
| 2022 | (562,212) |
| 2023 | (90,144) |
| 2024 | (90,144) |
| 2025 and Thereafter | (315,502) |

***Note 11*** **Postemployment Benefits Other than Pensions - Continued**

**Current Year Activity**
The following is a summary of current year activity:

| | Beginning Balance | Change | Ending Balance |
|---|---|---|---|
| OPEB Liability | $ 27,513,773 | $ (2,105,210) | $ 25,408,563 |
| Deferred Outflows of Resources | (1,242,335) | (77,899) | (1,320,234) |
| Deferred Inflows of Resources | 3,576,471 | 1,395,357 | 4,971,828 |
| **Total** | **$ 29,847,909** | **$ (787,752)** | **$ 29,060,157** |

***Note 12*** **Commitments and Contingencies**

**Risk Financing and Related Insurance**

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

**Health Insurance**
The School District incurs costs related to an employee health insurance plan (Plan) sponsored by the BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members include nine districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies.

If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Plan financial statements may be obtained at the Cayuga-Onondaga BOCES administration office at 1879 W. Genesee Street Road, Auburn, New York.

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

***Note 12*** **Commitments and Contingencies - Continued**

**Health Insurance - Continued**

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

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling $1,808,174.

**Workers' Compensation**

The School District participates and incurs costs related to a workers' compensation insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

School Districts joining the Plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by forwarding a resolution passed by the School District Board of Education prior to the end of the fiscal year. Plan members include eight districts and one BOCES, with the School District bearing a share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Plan financial statements may be obtained at the Cayuga-Onondaga BOCES administration office 1879 W. Genesee Street Road, Auburn, New York.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims 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 by not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling $116,935.

## *Note 12* Commitments and Contingencies - Continued

### Other Items

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

## *Note 13* Fund Balance Detail

At June 30, 2019, nonspendable, restricted, and assigned fund balances in the governmental funds were as follows:

| | General Fund | Special Aid Fund | School Lunch Fund | Debt Service Fund | Capital Projects Fund |
|---|---|---|---|---|---|
| **Nonspendable** | | | | | |
| Prepaid Expenses | $ 33,378 | $ | $ | $ | $ |
| Inventory | | | 12,223 | | |
| **Total Nonspendable Fund Balance** | **$ 33,378** | **$ -** | **$ 12,223** | **$ -** | **$ -** |
| **Restricted** | | | | | |
| Reserve for ERS Contributions | $ 682,907 | $ | $ | $ | $ |
| Reserve for TRS Contributions | 114,372 | | | | |
| Workers' Compensation Reserve | 15,585 | | | | |
| Unemployment Insurance Reserve | 111,068 | | | | |
| Reserve for Property Loss | 38,696 | | | | |
| Employee Benefit Accrued Actual Liability Reserve | 106,239 | | | | |
| Capital Projects Reserve | 153,155 | | | | |
| Reserve for Repairs | 1,425,458 | | | | |
| Capital Reserve - Technology | 2,775,000 | | | | |
| School Lunch | | | 108,253 | | |
| Debt | | | | 411,163 | |
| **Total Restricted Fund Balance** | **$ 5,422,480** | **$ -** | **$ 108,253** | **$ 411,163** | **$ -** |
| **Assigned** | | | | | |
| Appropriated for Next Year's Budget | $ 357,368 | $ | $ | $ | $ |
| Encumbered for: | | | | | |
| General Support | 70,870 | | | | |
| Instruction | 183,970 | | | | |
| Transportation | 25,330 | | | | |
| **Total Assigned Fund Balance** | **$ 637,538** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Unassigned** | | | | | |
| Reserve for Tax Reduction | $ 53,219 | $ | $ | $ | $ |
| Remaining Unassigned | 1,337,789 | | | | (4,393,898) |
| **Total Unassigned Fund Balance** | **$ 1,391,008** | **$ -** | **$ -** | **$ -** | **$ (4,393,898)** |

## *Note 14* Restricted Fund Balances

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2019 of the General Fund reserves were as follows:

| General Fund | Beginning Balance | Additions | Interest Earned | Appropriated | Ending Balance |
|---|---|---|---|---|---|
| Workers' Compensation Reserve | $ 15,310 | $ | $ 275 | $ | $ 15,585 |
| Unemployment Insurance Reserve | 109,111 | | 1,957 | | 111,068 |
| ERS Retirement Contribution Reserve | 449,839 | 225,000 | 8,068 | | 682,907 |
| TRS Retirement Contribution Reserve | - | 114,372 | | | 114,372 |
| Reserve For Property Loss | 38,014 | | 682 | | 38,696 |
| Employee Benefit Accrued Liability Reserve | 103,534 | | 2,705 | | 106,239 |
| Capital Reserve | 150,457 | | 2,698 | | 153,155 |
| Capital Reserve -Technology | - | 2,775,000 | | | 2,775,000 |
| Reserve For Repairs | 1,400,341 | | 25,117 | | 1,425,458 |
| **Total** | **$ 2,266,606** | **$ 3,114,372** | **$ 41,502** | **$ -** | **$ 5,422,480** |
| **Reserve for Tax Reduction (General Fund - Unassigned)** | **$ 52,281** | **$ -** | **$ 938** | **$ -** | **$ 53,219** |

## *Note 15* Stewardship, Compliance and Accountability

### Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of $4,393,898 at June 30, 2019. This deficit will be eliminated as short-term debt is redeemed or converted to permanent financing.

### Deficit Net Position

At June 30, 2019 the District-wide Statement of Net Position had an unrestricted deficit net position of $23,565,711. This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 11) This deficit is not expected to be eliminated during the normal course of operations.

## *Note 16* Tax Abatements

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the Cayuga County Industrial Development Agency (CCIDA).

CCIDA enters into PILOT agreements with businesses within Cayuga County under New York State General Municipal Law 858. Economic development agreements entered into by CCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which CCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction. The School District's property tax revenue was reduced by $21,490. The School District received payment in lieu of taxes (PILOT) totaling $19,465.

*Note 17* **Restatement**

The School District's June 30, 2018 net position has been restated to reflect the following:

| | |
|---|---|
| **Net (Deficit) Beginning of Year** | $ (10,830,034) |
| Deferred Outflows of Resources, Pensions-ERS | 59,397 |
| Deferred Outflows of Resources, Pensions-TRS | 560,422 |
| Bonds Payable | 20,000 |
| Bond Premium | 36,301 |
| Deferred Charges on Defeased Debt | (36,000) |
| Bond Issuance Cost | (62,755) |
| Accrued Interest | (68,979) |
| **Net (Deficit) Beginning of Year, as Restated** | **$ (10,321,648)** |

The School District's June 30, 2018 General Fund fund balance has been restated to reflect the following:

| | |
|---|---|
| **Fund Balance Beginning of Year** | $ 4,966,113 |
| OPEB Payble, Current Portion | 951,346 |
| **Fund Balance Beginning of Year, as Restated** | **$ 5,917,459** |

*Note 18* **Subsequent Events**

On July 10, 2019, the School District issued $515,000 in bond anticipation notes renewals with an interest rate of 2.5%, and a due date of July 10, 2020.

*Note 19* **Reclassification**

Certain prior year amounts, having no effect on net position, have been reclassified to conform to the current year's presentation.

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| **Local Sources** | | | | |
| Real Property Taxes | $ 7,234,383 | $ 7,234,383 | $ 7,239,028 | $ 4,645 |
| Real Property Tax Items | 792,583 | 792,583 | 791,255 | (1,328) |
| Charges for Services | 30,000 | 30,000 | 7,743 | (22,257) |
| Use of Money and Property | 21,500 | 21,500 | 118,066 | 96,566 |
| Sale of Property and Compensation for Loss | | | 28,939 | 28,939 |
| Miscellaneous | 120,000 | 120,000 | 295,965 | 175,965 |
| **Total Local Sources** | 8,198,466 | 8,198,466 | 8,480,996 | 282,530 |
| State Sources | 8,926,323 | 8,926,323 | 8,818,012 | (108,311) |
| Federal Sources | 30,000 | 30,000 | 88,007 | 58,007 |
| **Total Revenues** | 17,154,789 | 17,154,789 | 17,387,015 | 232,226 |
| **Total Revenues and Other Financing Sources** | 17,154,789 | 17,154,789 | **$ 17,387,015** | **$ 232,226** |
| Appropriated Fund Balance | 357,368 | 357,368 | | |
| Designated Fund Balance and Encumbrances Carried Forward from Prior Year | 131,723 | 131,723 | | |
| **Total Revenues, Appropriated Reserves, and Designated Fund Balance** | **$ 17,643,880** | **$ 17,643,880** | | |

*See Notes to Required Supplementary Information*

# SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget |
|---|---|---|
| **EXPENDITURES** | | |
| **General Support** | | |
| Board of Education | $ 25,078 | $ 26,971 |
| Central Administration | 216,105 | 219,888 |
| Finance | 402,119 | 413,850 |
| Staff | 105,768 | 104,037 |
| Central Services | 1,144,522 | 1,369,927 |
| Special Items | 189,997 | 189,997 |
| **Total General Support** | 2,083,589 | 2,324,670 |
| **Instruction** | | |
| Instruction, Administration, and Improvement | 469,247 | 469,247 |
| Teaching - Regular School | 4,253,290 | 4,288,139 |
| Programs for Children with Handicapping Conditions | 2,342,130 | 2,226,321 |
| Occupational Education | 591,237 | 595,197 |
| Instructional Media | 747,263 | 911,613 |
| Pupil Services | 648,661 | 697,832 |
| **Total Instruction** | 9,051,828 | 9,188,349 |
| Pupil Transportation | 999,135 | 999,135 |
| Community Services | 16,869 | 16,869 |
| Employee Benefits | 3,944,159 | 3,562,757 |
| **Debt Service** | | |
| Principal | 1,160,000 | 1,159,479 |
| Interest | 277,800 | 278,321 |
| **Total Debt Service** | 1,437,800 | 1,437,800 |
| **Total Expenditures** | 17,533,380 | 17,529,580 |
| **OTHER FINANCING USES** | | |
| Operating Transfers Out | 110,500 | 114,300 |
| **Total Expenditures and Other Financing Uses** | **$ 17,643,880** | **$ 17,643,880** |
| **Net Change in Fund Balance** | | |
| Fund Balance - Beginning of Year | | |
| **Fund Balance - End of Year** | | |

*See Notes to Required Supplementary Information*

| Actual | Encumbrances | Variance Favorable (Unfavorable) |
|---|---|---|
| | | |
| $ 21,021 | $ 2,413 | $ 3,537 |
| 215,467 | 147 | 4,274 |
| 374,812 | 830 | 38,208 |
| 74,273 | 3,769 | 25,995 |
| 1,243,870 | 63,711 | 62,346 |
| 175,343 | | 14,654 |
| 2,104,786 | 70,870 | 149,014 |
| | | |
| 442,912 | 18,272 | 8,063 |
| 4,090,882 | 65,554 | 131,703 |
| 1,863,369 | 3,744 | 359,208 |
| 590,571 | 962 | 3,664 |
| 728,474 | 88,341 | 94,798 |
| 655,138 | 7,097 | 35,597 |
| 8,371,346 | 183,970 | 633,033 |
| | | |
| 892,631 | 25,330 | 81,174 |
| 15,877 | | 992 |
| 3,139,515 | | 423,242 |
| | | |
| 935,000 | | 224,479 |
| 246,695 | | 31,626 |
| 1,181,695 | - | 256,105 |
| | | |
| 15,705,850 | 280,170 | 1,543,560 |
| | | |
| 114,220 | | 80 |
| | | |
| 15,820,070 | **$ 280,170** | **$ 1,543,640** |
| | | |
| 1,566,945 | | |
| | | |
| 5,917,459 | | |
| | | |
| **$ 7,484,404** | | |

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

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Contractually Required Contribution | **$ 222,985** | $ 232,255 | $ 227,993 |
| Contributions in Relation to the Contractually Required Contribution | **(222,985)** | (232,255) | (227,993) |
| Contribution Deficiency (Excess) | **-** | - | - |
| School District's Covered - Employee Payroll | **1,600,633** | 1,620,360 | 1,524,037 |
| Contributions as a Percentage of Covered - Employee Payroll | **13.9%** | 14.3% | 15.0% |

* Information Not Readily Available

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

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Contractually Required Contribution | **$ 597,985** | $ 594,204 | $ 647,632 |
| Contributions in Relation to the Contractually Required Contribution | **597,985** | 594,204 | 647,632 |
| Contribution Deficiency (Excess) | **-** | - | - |
| School District's Covered - Employee Payroll | **5,630,744** | 5,256,137 | 5,069,998 |
| Contributions as a Percentage of Covered - Employee Payroll | **10.6%** | 11.3% | 12.8% |

* Information Not Readily Available

*See Notes to Required Supplementary Information*

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| $ 262,807 | $ 273,587 | $ * | $ * | $ * | $ * | $ * |
| (262,807) | (273,587) | * | * | * | * | * |
| - | - | * | * | * | * | * |
| 1,514,016 | 1,499,586 | * | * | * | * | * |
| 17.4% | 18.2% | * | * | * | * | * |

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| $ 836,676 | $ 781,171 | $ * | $ * | $ * | $ * | $ * |
| 836,676 | 781,171 | * | * | * | * | * |
| - | - | * | * | * | * | * |
| 4,884,100 | 4,772,824 | * | * | * | * | * |
| 17.1% | 16.4% | * | * | * | * | * |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net Pension Asset/Liability | **0.0043011%** | 0.0089431% | 0.0093751% |
| School District's Proportionate Share of the Net Pension Asset/Liability | **$ 304,749** | $ 149,317 | $ 708,958 |
| School District's Covered-employee Payroll During the Measurement Period | **1,587,099** | 1,620,360 | 1,524,037 |
| School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-employee Payroll | **19.2%** | 9.2% | 46.5% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability | **96.3%** | 98.2% | 94.7% |

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net Pension Asset/Liability | **0.032268%** | 0.0319940% | 0.0317740% |
| School District's Proportionate Share of the Net Pension Asset/Liability | **$ (583,495)** | $ (243,186) | $3,300,263 |
| School District's Covered-employee Payroll During the Measurement Period | **5,256,137** | 5,256,137 | 5,069,998 |
| School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-employee Payroll | **11.1%** | 4.6% | 65.1% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability | **101.5%** | 100.7% | 99.0% |

*See Notes to Required Supplementary Information*

| 2016 | 2015 |
|---|---|
| 0.0089431% | 0.0089431% |
| $ 728,349 | $ 150,097 |
| 1,514,016 | 1,499,586 |
| 48.1% | 10.0% |
| 90.7% | 97.9% |

| 2016 | 2015 |
|---|---|
| 0.0396680% | 0.0575640% |
| $4,120,201 | $3,625,161 |
| 4,884,100 | 4,772,824 |
| 84.4% | 76.0% |
| 110.5% | 111.5% |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Service Cost | **$ 512,971** | $ 604,893 | $ 624,047 |
| Interest Cost | **977,444** | 1,078,799 | 965,051 |
| Changes of Benefit Terms | **325,901** | - | - |
| Differences Between Expected and Actual Experience | **(3,082,688)** | (2,617,512) | 897,013 |
| Changes in Assumptions or Other Inputs | **111,905** | 663,042 | (1,933,667) |
| Benefit Payments | **(950,743)** | (951,346) | (951,346) |
| | **(2,105,210)** | (1,222,124) | (398,902) |
| Total OPEB Liability - Beginning | **27,513,773** | 28,735,897 | 29,134,799 |
| **Total OPEB Liability - Ending** | **$25,408,563** | $27,513,773 | $28,735,897 |
| Covered Employee Payroll | **$ 1,229,389** | $ 6,833,774 | $ 6,614,823 |
| **Total OPEB Liability as a Percentage of Covered Payroll** | **2067%** | 403% | 434% |

*Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

*See Notes to Required Supplementary Information*

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| $ * | $ * | $ * | $ * | $ * | $ * | $ * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| * | * | * | * | * | * | * |
| $ * | $ * | $ * | $ * | $ * | $ * | $ * |
| $ * | $ * | $ * | $ * | $ * | $ * | $ * |

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
## JUNE 30, 2019

***Note 1*** **Budgetary Procedures and Budgetary Accounting**

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

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

The following supplemental appropriations occurred during the year:

| | | |
|---|---|---|
| Adopted Budget | $ | 17,512,157 |
| Prior Year Encumbrances | | 131,723 |
| **Final Budget** | **$** | **17,643,880** |

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

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

***Note 3*** **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

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

2019 - 3.44%
2018 - 3.61%

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

The Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, will present ten years of information as it becomes available from the pension plans.

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

**NYSLRS**

**Changes in Benefit Terms**
There were no significant legislative changes in benefits for the April 1, 2018 actuarial valuation.

**Changes of Assumptions**
There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2018 actuarial valuation.

The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%.

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**
The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

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

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

**NYSTRS**

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

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

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

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

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

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

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

| | |
|---|---|
| Actuarial Cost Method | The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years. |
| Asset Valuation Method | 5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5%. at a rate of 20.0% per year, until fully recognized after five years. |
| Inflation | 2.5% |
| Projected Salary Increases | Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience. |

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

| | |
|---|---|
| Investment Rate of Return | 7.5% compounded annually, net of investment expenses, including inflation. |
| Cost of Living Adjustments | 1.5% compounded annually. |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
## AND THE REAL PROPERTY TAX LIMIT
## FOR THE YEAR ENDED JUNE 30, 2019

| | | |
|---|---|---|
| **CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET** | | |
| Adopted Budget | | $17,512,157 |
| Prior Year's Encumbrances | | 131,723 |
| Original Budget | | 17,643,880 |
| **Final Budget** | | **$17,643,880** |
| **§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION** | | |
| **2019 - 2020 Voter-Approved Budget** | | **$17,790,648** |
| **Maximum Allowed (4% of 2019 - 2020 Budget)** | | **$ 711,626** |
| General Fund Fund Balance Subject to §1318 of Real Property Tax Law | | |
| Unrestricted Fund Balance: | | |
| Assigned Fund Balance | $ 637,538 | |
| Unassigned Fund Balance | 1,391,008 | |
| Total Unrestricted Fund Balance | 2,028,546 | |
| Less: | | |
| Appropriated Fund Balance | $ 357,368 | |
| Reserve for Tax Reduction | 53,219 | |
| Encumbrances Included in Assigned Fund Balance | 280,170 | |
| Total Adjustments | 690,757 | |
| **General Fund Fund Balance Subject to §1318 of Real Property Tax Law** | | **$ 1,337,789** |
| Actual Percentage | | 7.52% |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

**SCHEDULE OF PROJECT EXPENDITURES**
**CAPITAL PROJECTS FUND**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | | | Expenditures | | |
|---|---|---|---|---|---|
| **PROJECT TITLE** | **Original Budget** | **Revised Budget** | **Prior Years** | **Current Year** | **Total** |
| Buses - 2019 | $ 253,934 | $ 253,934 | $ | $ 370,434 | $ 370,434 |
| Buses - 2018 | 270,093 | 270,093 | 270,093 | | 270,093 |
| Locker Room Renovations | 100,000 | 100,000 | 72,987 | 16,918 | 89,905 |
| ES Roof Reconstruction and Jr/HS Rescontruction | 1,250,000 | 1,250,000 | 362,243 | 601,353 | 963,596 |
| Planetarium Renovations | 500,000 | 500,000 | 12,726 | 418,622 | 431,348 |
| SMART Schools | 203,243 | 203,243 | | 308,089 | 308,089 |
| 2018-2019 Capital Projects | 100,000 | 100,000 | - | 89,904 | 89,904 |
| Unredeemed BANs | | | | | |
| **Total** | **$ 2,677,270** | **$ 2,677,270** | **$ 718,049** | **$ 1,805,320** | **$ 2,523,369** |

*** Architectural and State Approved Budget Modifications for Sub-project Reallocations not yet Finalized and Available at this Report Date.**

| *Unexpended Budget Balance | Methods of Financing | | | | Fund Balance (Deficit) June 30, 2019 |
|---|---|---|---|---|---|
| | Proceeds of Obligations | State Aid | Local Sources | Total | |
| $ (116,500) | $ 253,934 | $ | $ 116,500 | $ 370,434 | $ - |
| - | 270,093 | | | 270,093 | - |
| 10,095 | | | 14,114 | 14,114 | (75,791) |
| 286,404 | 900,000 | | 63,596 | 963,596 | - |
| 68,652 | 375,000 | | 125,000 | 500,000 | 68,652 |
| (104,846) | | 305,169 | | 305,169 | (2,920) |
| 10,096 | | | 100,000 | 100,000 | 10,096 |
| | (4,393,935) | | | (4,393,935) | (4,393,935) |
| **$ 153,901** | **$(2,594,908)** | **$ 305,169** | **$ 419,210** | **$ (1,870,529)** | **$ (4,393,898)** |

# *SOUTHERN CAYUGA CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
## FOR THE YEAR ENDED JUNE 30, 2019

| | |
|---|---|
| Capital Assets, Net | $ 16,488,003 |
| Add: | |
| Unamortized Bond Refunding | 43,560 |
| Restricted BAN Proceeds | 900,000 |
| Deduct: | |
| Premium on Bonds Payable | (73,706) |
| Short-term Portion of Bonds Payable | (775,000) |
| Long-term Portion of Bonds Payable | (4,980,000) |
| Bond Anticipation Notes | (5,293,935) |
| **Net Investment in Capital Assets** | **$ 6,308,922** |

**INDEPENDENT AUDITORS' 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***

Board of Education
Southern Cayuga Central School District
Aurora, 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 Southern Cayuga Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 11, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

**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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2019**

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

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____ yes _X_ no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ____ yes _X_ none reported |
| Noncompliance material to financial statements noted? | _X_ yes ____ no |

**Section II - Financial Statement Findings**

2019-001 Fund Balance Limitation

Condition:
At June 30, 2019, unassigned fund balance in the General Fund was $626,163 in excess of the allowable limits. At June 30, 2018, unassigned fund balance in the General Fund was $1,459,099 in excess of the allowable limits.

Criteria:
The School District is allowed, under New York State Real Property Tax Law (§1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:
The School District did not spend $1,608,325 of its 2018-2019 appropriations.

Effect:
The School District is not in compliance with New York State Real Property Tax Law (§1318).

Recommendation:
We recommend continued formal long-term (three to five years) budgetary planning in conjunction with the annual budgetary process. We also recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budgeting process, we recommend the School District estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which should be used to reduce the tax levy in accordance with New York State Real Property Tax Law (Code §1318).

Response:
School District management has reviewed the various reserve funds for appropriate funding levels and established and funded a Capital Reserve Fund to meet future capital needs of the School District in accordance with the annual capital needs assessment submitted to the New York State Education Department Office of Facilities Planning with the approval of voters. The updated 5-year projection includes conservative estimates of expenditures and revenues for the General Fund along with projected amounts of all reserves and fund balances. This projection document shows an eventual decline in the unallocated unencumbered fund balance to the required 4% over the next few years. School District management did decrease the amount of unassigned balance from FYE 2018 to FYE 2019 which shows progress towards this goal.