

## PRELIMINARY OFFICIAL STATEMENT

### NEW ISSUE

### BOND ANTICIPATION NOTES

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

*The District will not designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.*



# \$15,000,000

## SOUTH LEWIS CENTRAL SCHOOL DISTRICT

### LEWIS COUNTY, NEW YORK

### \$15,000,000 Bond Anticipation Notes, 2020

**Dated: March 17, 2020**

**Due: July 31, 2020**

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

At the option of the successful bidder(s), the Notes will be registered in the name of the purchaser in the denominations of \$5,000 or multiples thereof, as determined by the successful bidder(s). Principal and interest will be payable in Federal Funds at maturity at such bank(s) or trust company(ies) located and authorized to do business in the State of New York, as may be determined by such successful bidder(s) with paying agent fees, if any paid by the successful bidder(s), or as stated below.

Alternatively, at the option of the successful bidder, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. In such case, Noteholders will not receive certificates representing their ownership interest in the notes purchased. In such case, under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Syracuse, New York, Bond Counsel to the School District. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey, as may be agreed upon, on or about March 17, 2020.

**ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via [www.FiscalAdvisorsAuction.com](http://www.FiscalAdvisorsAuction.com) on March 3, 2020 until 10:45 A.M., Eastern Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.**

February 12, 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 OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICES OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX – C, MATERIAL EVENT NOTICES" HEREIN.

# SOUTH LEWIS CENTRAL SCHOOL DISTRICT

## SCHOOL DISTRICT OFFICIALS

### 2019-2020 BOARD OF EDUCATION

ANDREW LIENDECKER

President

DAWN D. LUDOVICI

Vice President

MICHAEL LISK  
JUSTIN SZUCS  
THOMAS BURMINGHAM  
CHRISTINE CHAUFY  
PAUL CAMPBELL  
JESSICA CARPENTER  
RICHARD VENTURA

\* \* \* \*

### ADMINISTRATION

DOUGLAS PREMO

Superintendent of Schools

BARRY YETTE

Business Administrator

KATHIE WATSON

School District Treasurer



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor



TRESPASZ & MARQUARDT, LLP

BOND COUNSEL

No person has been authorized by the School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the 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 School District.

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*PREPARED WITH THE ASSISTANCE OF  
**FA FISCAL ADVISORS & MARKETING, INC.**  
CORPORATE HEADQUARTERS  
120 Walton Street • Suite 600  
Syracuse NY 13202*

**OFFICIAL STATEMENT**

of the

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**LEWIS COUNTY, NEW YORK**

**Relating To**

**\$15,000,000 Bond Anticipation Notes, 2020**

This Official Statement, which includes the cover page, has been prepared by the South Lewis Central School District, Lewis County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the School District of \$15,000,000 principal amount of Bond Anticipation Notes, 2020 (the "Notes").

The factors affecting the School District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the 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 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 such proceedings.

**DESCRIPTION OF THE NOTES**

The Notes will be dated March 17, 2020 and will mature July 31, 2020. The Notes are not subject to redemption prior to maturity.

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 of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the School District, is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "THE NOTES - Nature of the Obligation" hereunder and "TAX LEVY LIMITATION LAW" herein.

At the option of the successful bidder(s), the Notes will be registered in the name of the purchaser in the denominations of \$5,000 or multiples thereof, as determined by the successful bidder(s). Principal and interest will be payable in Federal Funds at maturity at such bank(s) or trust company(ies) located and authorized to do business in the State of New York, as may be determined by such successful bidder(s) with paying agent fees, if any paid by the successful bidder(s), or as stated below.

Alternatively, at the option of the successful bidder, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. In such case, Noteholders will not receive certificates representing their ownership interest in the notes purchased. In such case, under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

## Nature of the Obligation

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

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitations.

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

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

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

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

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

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

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at

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

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

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

### **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest securities 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](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the

nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 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, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but Issuer 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 NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE 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 ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE 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 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 registered in the name of the purchaser 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 located and authorized to do business in the State of New York to be named by the School District.

**Purpose of Issue**

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 a bond resolution adopted by the Board of Education on November 19, 2018 and a proposition approved by the qualified voters on October 24, 2018 authorizing the issuance of \$36,889,800 serial bonds and bond anticipation notes to finance a capital project consisting of (i) renovations and improvements to the Middle School/High School, Bus Garage and Biomass Building, (ii) the construction of an approximately 71,300 square foot elementary school addition, to the Middle/High School and (iii) the acquisition of up to 51 acres of land adjacent to the school campus and the construction of new athletic fields, parking and access roads, a concessions building with toilet facilities and an on-site sewage disposal system.

The proceeds of the Notes will provide new monies for the aforementioned purpose.

**THE SCHOOL DISTRICT**

**General Information**

The District is located in upstate New York in the County of Lewis. The City of Rome is approximately 35 miles to the south, the City of Watertown approximately 40 miles northeast and the Village of Lowville 15 miles to the north. Major highways bisecting the District include State Routes #12, #12D and #26.

The District is primarily residential and agricultural in nature. It is also known as a year-around tourist area, with winter sports being the primary recreation. Commercial and professional services are located in the Village of Turin, as well as in nearby communities as aforementioned.

Source: District officials.

**Population**

The population of the School District is estimated to be approximately 6,892. (Source: 2017 U.S. Census Bureau)

**Five Largest Employers**

<u>Name</u>	<u>Type</u>	<u>Employees</u>
South Lewis CSD	Public Education	225
Snow Ridge (Seasonal)	Ski Resort	100
Otis Technology	Manufacturer	62
Marks Farm	Farm	50
Burrows Paper Company	Manufacturer	41

Source: District officials.

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**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 the County listed below. The figures set below with respect to such Towns and County are included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the Towns or the County are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2010</u>	<u>2013-2017</u>
Towns of:						
Greig	\$ 15,838	\$ 20,359	\$ 31,449	\$ 39,028	\$ 52,321	\$ 70,625
Leyden	14,252	18,821	23,209	33,512	41,731	59,444
Lyonsdale	13,298	16,100	18,397	35,938	41,833	48,750
Martinsburg	13,894	21,866	25,254	35,978	47,237	62,557
Osceola	17,467	26,049	25,701	38,750	52,500	44,583
Turin	15,930	25,255	31,725	41,364	57,500	65,938
Watson	15,708	23,067	28,996	38,438	44,375	67,000
West Turin	15,538	20,256	28,549	41,618	47,000	60,250
County of:						
Lewis	14,971	20,970	25,779	39,287	49,554	61,780
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

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

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2013-2017 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) is the County of Lewis. The information set forth below with respect to the County is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County is necessarily representative of the School District, or vice versa.

	<u>Annual Average</u>											
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>				
Lewis County	9.7%	10.0%	9.4%	7.8%	6.9%	6.7%	6.7%	5.5%				
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%				
	<u>2019 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Lewis County	7.0%	7.1%	7.2%	5.8%	4.5%	3.9%	4.2%	4.3%	4.1%	4.2%	4.6%	6.6%
New York State	4.6%	4.4%	4.1%	3.6%	3.8%	3.8%	4.1%	4.2%	3.7%	3.9%	3.6%	3.7%

Note: Unemployment rates for January 2020 are unavailable as of the date of this Official Statement.

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

**Form of School Government**

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

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for a term of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and Vice President, and appoints a District Clerk and District Treasurer.

### **Financial Organization**

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

### **Budgetary Procedures**

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 3<sup>rd</sup> 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 Vote Results*

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 239 to 87. The District’s budget for the 2018-19 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.97% which is below the District tax levy limit of 2.75%

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 189 to 53. The District’s budget for the 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.95% which is below the District tax levy limit of 2.55%

The District anticipates that the budget for the 2020-2021 fiscal year will remain within the District’s tax levy limit.

### **Investment Policy**

Pursuant to the statutes of the State, 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; (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; (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; 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) savings accounts or money market accounts of designated banks; (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in the State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in the State; (4) obligations of New York State; and (5) obligations of the United States Government (U.S. Treasury Bills and Notes).

## **State Aid**

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 62.85% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

The Tax Cuts and Jobs Act also made extensive changes to the deductibility of various taxes, including placing a cap of \$10,000 on a taxpayer's deduction of state and local taxes (the "SALT Deduction Limitation"). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

### *Potential reductions in Federal aid received by the State.*

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

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

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

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

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

### *Building Aid*

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations,

a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2020-2021 preliminary building aid ratios, the District expects to receive State building aid of approximately 85.3% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

#### *State aid history*

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

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

*School district fiscal year (2016-2017):* The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also includes a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District received \$95,627 in State aid (in the form of Foundation aid) to be used on community schools activities.

*Gap Elimination Adjustment (GEA).* The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately \$5,124,513. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

*School district fiscal year (2017-2018):* The State 2017-18 Enacted Budget increases State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor’s plan.

*School district fiscal year (2018-2019):* The State’s 2018-2019 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately \$859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at \$26.03 billion statewide, a 3.4% increase over the prior year. The State’s 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State’s 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. \$50 million of the Foundation Aid increase

was “set aside” for certain school districts to fund community schools. The State’s 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-2019.

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

### *State Aid Litigation*

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

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

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

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students’ Educational Rights v. State of New York* (“NYSER”) and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case, and asked 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.

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

Source: District officials.

**State Aid Revenues**

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years as well as budgeted figures for the 2019-2020 fiscal year comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2014-15	\$ 23,375,953	\$ 14,497,783	62.02%
2015-16	23,974,097	14,978,033	62.48
2016-17	23,359,444	14,265,343	61.07
2017-18	24,245,887	15,070,147	62.16
2018-19	24,980,396	15,624,204	62.55
2019-20 (Budgeted)	24,929,002	15,667,361	62.85

Source: Audited financial statements for the 2014-2015 fiscal year through and including the 2018-2019 fiscal year and adopted budget of the District for the 2019-2020 fiscal year. This table is not audited

**School Facilities**

The District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year Built</u>
Junior-Senior High School	5-12	700	1963, '68, '00
Glenfield Elementary School	PK-4	275	1931, '73, '00
Port Leyden Elementary School	PK-4	275	1920, '51, '00

Source: District officials.

**Enrollment Trends**

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-16	1,060	2020-21	1,030
2016-17	1,040	2021-22	1,030
2017-18	1,028	2022-23	1,030
2018-19	1,020	2023-24	1,030
2019-20	1,035	2024-25	1,030

Source: District officials.

**Employees**

The number of persons employed by the District, the collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are as follows:

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
102	South Lewis Teachers' Association	June 30, 2022
108	South Lewis Non-Teachers' Association (CSEA)	June 30, 2020

Source: School District officials.

## Status and Financing of Employee Pension Benefits

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

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

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

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

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-2015	\$ 586,786	\$ 1,227,456
2015-2016	535,487	948,981
2016-2017	408,033	869,876
2017-2018	489,601	772,553
2018-2019	487,487	767,997
2019-2020 (Budgeted)	480,000	760,000

Source: District officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District currently does not have early retirement incentive programs for its employees.

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

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
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

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

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

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

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

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

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

## Other Post-Employment Benefits

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

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

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

The District contracted with BPAS, Inc., an actuarial firm, to calculate its actuarial valuation under GASB 75 for the fiscal years ending June 30, 2018 and 2019. The following outlines the changes to the Total OPEB Liability during the fiscal year, by source.

Balance beginning at:	June 30, 2017	June 30, 2018
	\$ 45,915,838	\$ 43,186,626
<u>Changes for the year:</u>		
Service cost	1,854,573	1,583,937
Interest	1,383,550	1,578,870
Differences between expected and actual experience	-	-
Changes in assumptions or other inputs	(5,190,228)	(1,616,672)
Benefit payments	(777,107)	(840,571)
Net Changes	\$ (2,729,212)	\$ 705,564
Balance ending at:	June 30, 2018	June 30, 2019
	<b>\$ 43,186,626</b>	<b>\$ 43,892,190</b>

Note: The above table is not audited. For additional information see "APPENDIX - C" 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.

Under GASB 75, an actuarial valuation will be required every 2 years for all plans, however, the Alternative Measurement Method continues to be available for plans with less than 100 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 past 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 bonds and notes are to be issued is the Education Law and the Local Finance Law.

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

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

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

### **Financial Statements**

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 and is attached to this Official Statement as "APPENDIX – C". Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

Beginning with the fiscal year ending June 30, 2003 the District 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 District is in compliance with Statement No. 34.

### **New York State Comptroller Report of Examination**

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the 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 State Comptroller's office released an audit report of the District on June 10, 2016. The purpose of the audit was to review the District's financial condition for the period July 1, 2014 through September 30, 2015.

#### Key Findings:

- The District's unassigned fund balance exceeded the 4 percent legal limit for fiscal years 2012-13 through 2014-15.
- The Board has not adopted a multiyear capital or operations plan to outline the use of surplus fund balance.

Key Recommendations:

- Ensure that the District’s unassigned fund balance is in compliance with statutory limits.
- Formulate long-term capital and operations plans for the use of excess unassigned fund balance in the general fund in a manner that benefits District residents.

The District provided a complete response to the State Comptroller’s office on June 6, 2016. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

As of the date of this Official Statement there are no other State Comptrollers audits of the District that are currently in progress or pending release.

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

**Fiscal Stress Monitoring System**

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

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

The reports of the State Comptroller for the past five fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2019	No Designation	0.0
2018	No Designation	0.0
2017	No Designation	6.7
2016	No Designation	6.7
2015	No Designation	13.3

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

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

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## TAX INFORMATION

### Taxable Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Greig	\$ 213,057,074	\$ 212,857,401	\$ 214,624,965	\$ 217,143,853	\$ 219,001,164
Leyden	70,697,563	71,652,363	72,050,650	77,459,833	77,618,206
Lyonsdale	77,017,439	78,117,523	77,941,878	78,045,117	78,839,364
Martinsburg	27,492,914	28,143,237	28,311,731	28,844,124	29,378,859
Osceola	1,264,862	1,284,862	1,284,862	1,284,825	1,285,203
Turin	56,285,551	57,998,662	60,644,095	64,356,687	67,477,618
Watson	61,529,290	61,829,143	61,996,248	62,482,457	32,319,630
West Turin	126,292,552	128,282,982	129,325,547	131,244,430	132,674,750
<b>Total Assessed Values</b>	<b>\$ 633,637,245</b>	<b>\$ 640,166,173</b>	<b>\$ 646,179,976</b>	<b>\$ 660,861,326</b>	<b>\$ 638,594,794</b>

### State Equalization Rates

Towns of:					
Greig	100.00%	100.00%	100.00%	100.00%	95.00%
Leyden	100.00%	100.00%	100.00%	100.00%	100.00%
Lyonsdale	100.00%	99.00%	89.00%	86.00%	79.72%
Martinsburg	100.00%	100.00%	100.00%	100.00%	100.00%
Osceola	100.00%	100.00%	100.00%	100.00%	100.00%
Turin	100.00%	100.00%	100.00%	100.00%	100.00%
Watson	100.00%	100.00%	100.00%	100.00%	100.00%
West Turin	100.00%	100.00%	100.00%	100.00%	97.00%
<b>Total Taxable Full Valuation</b>	<b>\$ 633,637,245</b>	<b>\$ 640,955,239</b>	<b>\$ 655,813,242</b>	<b>\$ 673,566,345</b>	<b>\$ 674,280,489</b>

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

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Greig	\$ 13.18	\$ 12.86	\$ 12.73	\$ 12.64	\$ 12.88
Leyden	13.18	12.86	12.73	12.63	12.24
Lyonsdale	13.18	12.99	14.30	14.69	15.36
Martinsburg	13.18	12.86	12.73	12.63	12.24
Osceola	13.18	12.86	12.73	12.63	12.24
Turin	13.18	12.86	12.73	12.63	12.24
Watson	13.18	12.86	12.73	12.64	12.24
West Turin	13.18	12.86	12.73	12.64	12.62

### Tax Collection Procedure

Property taxes for the District are collected by the District tax collector. Such taxes are due and payable on September 1 but may be paid without penalty by September 30. Penalties on unpaid taxes are 2% from October 1 through October 31.

On or about November 1, the tax collector files a report of any uncollected school taxes with the County. The County thereafter on or before April 30 pays to the District the amount of its uncollected taxes. Thus, the District receives its full levy prior to the end of its fiscal year.

## Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the School District for each of the last five completed fiscal years and budgeted figures for the 2019-2020 fiscal year comprised of Real Property Taxes and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Property Taxes</u>
2014-15	\$ 23,375,953	\$ 8,346,527	35.71%
2015-16	23,974,097	8,480,592	35.37
2016-17	23,359,444	8,382,078	35.88
2017-18	24,245,887	8,606,777	35.50
2018-19	24,980,396	8,654,804	34.65
2019-20 (Budgeted)	24,929,002	8,823,141	35.39

Source: Audited financial statements for the fiscal years 2014-15 through 2018-19 and adopted budget of the District for the 2019-20 fiscal year. This table is not audited.

## Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Tax Levy	\$ 8,086,169	\$ 8,303,849	\$ 8,346,897	\$ 8,511,330	\$ 8,660,278
Amount Uncollected <sup>(1)</sup>	777,081	805,473	1,212,804	1,208,587	1,230,528
% Uncollected	9.61%	9.70%	14.53%	14.20%	14.20%

## Larger Taxpayers 2019 for 2019-2020 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Full Valuation</u>
State of New York	State Land	\$ 42,273,153
Iroquois Gas	Utility	26,345,200
National Grid	Utility	23,367,135
Fortisus	Commercial	15,380,800
Marks Farm Partnership	Farm	11,702,700
Northbrook	Farm	7,493,700
NYSEG	Utility	4,701,460
Black river Hydro	Utility	3,560,800
Corrigan TLP	Land Development	3,372,043
Heartwood Forestland	Land Development	3,091,200

The larger taxpayers listed above have a total estimated full valuation of \$141,288,191 which represents approximately 20.95% of the tax base of the School District.

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

Source: District Tax Rolls.

## Additional Tax Information

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

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

Total assessed valuation of the School District is estimated to be categorized as follows: 62% residential, 30% commercial, and 8% industrial.

The estimated total annual property tax bill of a \$75,000 market value residential property located in the School District is approximately \$1,549 including County, Town and School District taxes.

## STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School Districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities (“STAR Adjusted Gross Income”) of \$86,300 or less for 2019 benefits and \$88,050 or less for 2020 benefits, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the credit. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

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

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Greig	\$ 68,700	\$ 30,000	4/9/2019
Leyden	68,700	31,790	4/9/2019
Lyonsdale	59,080	25,800	4/9/2019
Martinsburg	68,700	30,000	4/9/2019
Osceola	68,700	30,000	4/9/2019
Turin	68,700	30,000	4/9/2019
Watson	68,700	30,000	4/9/2019
West Turin	68,700	30,000	4/9/2019

\$920,761 of the District’s \$8,511,330 school tax levy for the 2018-19 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2019.

Approximately \$874,482 of the District’s \$8,659,518 school tax levy for the 2019-20 fiscal year will be exempt by the STAR Program. The District expects to receive full reimbursement of such exempt taxes from the State by January, 2020.

## 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 expires on June 15, 2020 unless extended; it was made permanent in recent legislation. 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.

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

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

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

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

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

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

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

See “THE SCHOOL DISTRICT – Budgetary Procedures” herein for additional information regarding the District’s Tax Levy.

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

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

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

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

Except for certain short-term indebtedness contracted for non-capital purposes, 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 period of probably usefulness of the object or purpose determined by statute. Such period may be limited to a shorter maturity, however, by the proceedings adopted by the School District authorizing the obligations; no installment may be more than fifty per centum in excess of the smallest prior installment; unless substantially level or declining debt service is utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and its obligations issued in anticipation of the issuance thereof.

### **Statutory Procedure**

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

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

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the School 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 School District obligations.

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

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the School District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel for bond issues, but it is not an absolute legal requirement.

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

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

**Debt Outstanding End of Fiscal Year**

<u>Fiscal Year Ending:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 15,479,250	\$ 13,659,625	\$ 12,569,919	\$ 17,981,340 <sup>(1)</sup>	16,769,417
Bond Anticipation Notes	0	0	0	0	0
Installment Purchase Debt	<u>0</u>	<u>178,267</u>	<u>120,954</u>	<u>61,484</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 15,479,250</u>	<u>\$ 13,837,892</u>	<u>\$ 12,690,873</u>	<u>\$ 18,042,842</u>	<u>\$ 16,769,417</u>

<sup>(1)</sup> On November 9, 2017, the District issued \$6,555,000 refunding serial bonds issued through DASNY to advance refund the District’s 2011 serial bonds maturing in the years 2022-2026. The refunded and refunding bonds are included in the total above. \$6,700,000 refunded bonds are outstanding and will be redeemed in full as of their first call date, April 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the School District evidenced by bonds as of February 12, 2020:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount Outstanding</u>
<u>Bonds</u>	2020-2026	\$ 15,512,250 <sup>(1)</sup>
<u>Bond Anticipation Notes</u>	---	<u>0</u>
	Total Indebtedness	<u>\$ 15,512,250</u>

<sup>(1)</sup> On November 9, 2017, the District issued \$6,555,000 refunding serial bonds issued through DASNY to advance refund the District’s 2011 serial bonds maturing in the years 2022-2026. The refunded and refunding bonds are included in the total above. \$6,700,000 refunded bonds are outstanding and will be redeemed in full as of their first call date, April 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

**Debt Statement Summary**

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of February 12, 2020:

Full Valuation of Taxable Real Property .....	\$ 674,280,489
Debt Limit 10% thereof .....	67,428,049

Inclusions:

Serial Bonds <sup>(1)</sup> .....	\$ 15,512,250	
Principal of this Issue .....	<u>15,000,000</u>	
Total Inclusions.....		<u>\$ 30,512,250</u>

Exclusions:

Building Aid <sup>(2)</sup> .....	<u>\$ 0</u>	
Total Exclusions.....		<u>\$ 0</u>

Total Net Indebtedness .....	<u>\$ 30,512,250</u>
Net Debt-Contracting Margin.....	<u>\$ 36,915,799</u>
The percent of debt contracting power exhausted is.....	45.25%

- (1) On November 9, 2017, the District issued \$6,555,000 refunding serial bonds issued through DASNY to advance refund the District’s 2011 serial bonds maturing in the years 2022-2026. The refunded and refunding bonds are included in the total above. \$6,700,000 refunded bonds are outstanding and will be redeemed in full as of their first call date, April 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.
- (2) Based on preliminary 2020-2021 building aid estimates, the District anticipates State Building aid of 85.3% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

**Bonded Debt Service**

A schedule of bonded debt service may be found attached hereto as APPENDIX - B.

**Capital Project Plans**

The Board of Education approved a \$38,889,800 Capital Project Plan on November 19, 2018. The project will cover additions and reconstruction of District Buildings including an elementary addition to the Middle-High School campus. The qualified voters of the District approved the Capital Project on October 23, 2018. The District will use \$2 million capital reserve funds for the project and finance the balance of the project with the issuance of \$36,889,800 bond anticipation notes and serial bonds. The issuance of the Notes represents the first borrowing against said authorization. Future borrowings will occur upon approval from the State Education Department and as the project’s cash flow needs warrant.

The District issues bonds annually for the purchase of buses.

There are currently no other capital projects authorized nor are any contemplated at this time by the District.

**Cash Flow Borrowings**

The School District has not found it necessary to issues revenue anticipation notes or tax anticipation notes in the past and has no future plans to do so.

**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:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Exclusions</u> <sup>(2)</sup>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Lewis	12/31/2017	\$ 9,656,031	\$ -	\$ 9,656,031	30.22%	\$ 2,918,053
Town of:						
Greig	12/31/2017	1,304,000	-	1,304,000	98.52%	1,284,701
Leyden	12/31/2017	-	-	-	74.18%	-
Lyonsdale	12/31/2017	200,000	-	200,000	96.24%	192,480
Martinsburg	12/31/2017	1,730,884	352,884	1,378,000	31.59%	435,310
Osceola	12/31/2017	-	-	-	2.86%	-
Turin	12/31/2017	135,000	-	135,000	88.49%	119,462
Watson	12/31/2017	975,000	975,000	-	31.72%	-
West Turin	12/31/2017	-	-	-	98.32%	-
Village of:						
Turin	5/31/2018	209,655	-	209,655	100.00%	<u>209,655</u>
					Total:	<u>\$ 5,159,660</u>

(1) Bonds and bond anticipation notes not adjusted to include subsequent bond sales, if any.

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

Note: The 2018 Comptroller’s Special Report for the County and Town is currently unavailable as of the date of this Official Statement.

Source: The 2017 Comptroller’s Special Report on Municipal Affairs for Local Finance for the County and towns and 2018 Comptroller’s Special Report on Municipal Affairs for Local Finance for the Village.

**Debt Ratios**

The following table sets forth certain ratios relating to the District's indebtedness as of February 12, 2020:

	<u>Amount Indebtedness</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Valuation</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup>	\$ 30,512,250	\$ 4,427.20	4.53%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup>	35,671,910	5,175.84	5.29

(a) The current estimated population of the District is 6,892. (See “THE SCHOOL DISTRICT - Population” herein.)

(b) The District's full value of taxable real estate for the 2019-20 fiscal year is \$674,280,489. (See “TAX INFORMATION – Taxable Assessed Valuations” herein.)

a) See “Debt Statement Summary” for Calculation of Net Direct Indebtedness herein.

b) Estimated Overlapping Indebtedness is \$5,159,650. (See "Estimated Overlapping Indebtedness" herein.)

## **SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the 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 Notes.

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

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

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to School Districts, there can be no assurance that they will not be made so applicable in the future.

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

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

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

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

## **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 School District will enter into a Material Event Notices Certificate, a summary of which is attached hereto as "APPENDIX – C."

### **Historical Compliance**

The District is, in all material respects, in compliance with all prior undertakings pursuant to the Rule for the past five years.

## MARKET AND RISK FACTORS

The financial condition of the School District as well as the market for the 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 and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction in the country 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 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 and revenues 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 "State Aid").

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

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

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

## 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 Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the School District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the School District.

## TAX MATTERS

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

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

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

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

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

## LEGAL MATTERS

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

## RATING

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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their underlying rating of "A+" with a stable outlook to the District's outstanding bonds. The rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained from S&P. Any desired explanation of the significance of such rating should be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

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

## **MUNICIPAL ADVISOR**

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to Fiscal Advisors are contingent on the successful closing of the Notes.

## **CUSIP IDENTIFICATION NUMBERS**

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

## **MISCELLANEOUS**

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

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the 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 Dundee Central School District documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

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

Trespasz & Marquardt, LLP, Syracuse, New York, Bond Counsel to the 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 in connection with the offer and sale of the Notes, including, but not limited to, the information in this Official Statement.

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

Concurrently with the delivery of the Notes, the 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 limitation as to information in the Official Statement obtained from sources other than the School District, as to which no representation can be made.

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

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

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](http://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 will act as Paying Agent for the Notes.

The School District contact information is as follows:

The District contact information is as follows: Mr. Barry Yette, Business Administrator, South Lewis CSD, 4264 Co. Rd. 43, P.O. Box 10, Turin, New York 13473, Phone: (315) 348-2503, Fax: (315) 348-2510, Email: [byette@southlewis.org](mailto:byette@southlewis.org).

This Official Statement has been duly executed and delivered by the President of the Board of Education of South Lewis Central School District.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**Dated: February 12, 2020**

**ANDREW LIENDECKER**  
**President of the Board of Education**  
**And Chief Fiscal Officer**

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>ASSETS</b>					
Unrestricted Cash	\$ 4,572,440	\$ 4,039,314	\$ 3,585,996	\$ 3,509,136	\$ 3,207,141
Restricted Cash	349,721	516,927	538,334	929,546	580,755
State and Federal Aid Receivable	561,500	671,172	775,079	782,445	698,488
Due from Other Funds	267,770	75,531	172,575	326,740	221,057
Due from Other Governments	7,146	1,431	-	-	-
Due from Fiduciary Funds	15	13	18	16	16
Other Receivables	32,854	3,591	42,686	9,180	11,067
<b>TOTAL ASSETS</b>	<b>\$ 5,791,446</b>	<b>\$ 5,307,979</b>	<b>\$ 5,114,688</b>	<b>\$ 5,557,063</b>	<b>\$ 4,718,524</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 60,745	\$ 59,371	\$ 31,561	\$ 56,445	\$ 7,659
Accrued Liabilities	37,360	6,337	39,118	43,075	39,220
Revenue Anticipation Notes	-	-	-	-	-
Due to Other Funds	-	-	-	-	57,641
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	1,351,470	1,074,583	970,903	823,148	885,586
Due to Employees' Retirement System	158,882	143,918	138,597	141,052	140,005
Compensated Absences	-	-	-	-	-
Overpayments	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 1,608,457</b>	<b>\$ 1,284,209</b>	<b>\$ 1,180,179</b>	<b>\$ 1,063,720</b>	<b>\$ 1,130,111</b>
<b>FUND EQUITY</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	349,721	516,927	538,334	929,546	580,755
Assigned	1,403,856	1,405,214	1,416,018	1,427,121	1,363,874
Unassigned	2,429,412	2,101,629	1,980,157	2,136,676	1,643,784
<b>TOTAL FUND EQUITY</b>	<b>4,182,989</b>	<b>4,023,770</b>	<b>3,934,509</b>	<b>4,493,343</b>	<b>3,588,413</b>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<b>\$ 5,791,446</b>	<b>\$ 5,307,979</b>	<b>\$ 5,114,688</b>	<b>\$ 5,557,063</b>	<b>\$ 4,718,524</b>

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:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>REVENUES</b>					
Real Property Taxes	\$ 8,215,781	\$ 8,346,527	\$ 8,480,592	\$ 8,382,078	\$ 8,606,777
Charges for Services	28,326	37,681	91,228	130,256	102,477
Use of Money & Property	25,710	22,334	8,481	28,949	62,453
Sale of Property and Compensation for Loss	66,722	1,954	10,232	25,159	27,745
Miscellaneous	447,403	417,248	353,207	463,580	311,219
Revenues from State Sources	15,185,649	14,497,783	14,978,033	14,265,343	15,070,147
Revenues from Federal Sources	91,252	52,426	52,324	64,079	65,069
Total Revenues	<u>\$ 24,060,843</u>	<u>\$ 23,375,953</u>	<u>\$ 23,974,097</u>	<u>\$ 23,359,444</u>	<u>\$ 24,245,887</u>
Other Sources:					
Interfund Transfers	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total Revenues and Other Sources	<u>\$ 24,160,843</u>	<u>\$ 23,475,953</u>	<u>\$ 23,974,097</u>	<u>\$ 23,459,444</u>	<u>\$ 24,345,887</u>
<b>EXPENDITURES</b>					
General Support	\$ 2,795,925	\$ 2,586,171	\$ 2,600,389	\$ 2,815,828	\$ 2,793,587
Instruction	10,888,930	11,554,375	11,617,285	11,860,601	12,028,899
Pupil Transportation	1,202,484	1,141,577	1,059,153	1,124,151	1,232,838
Community Services	-	-	2,609	-	-
Employee Benefits	5,460,793	5,721,605	5,874,122	5,411,837	5,387,076
Debt Service	2,787,736	2,757,537	2,793,495	1,991,700	1,966,360
Total Expenditures	<u>\$ 23,135,868</u>	<u>\$ 23,761,265</u>	<u>\$ 23,947,053</u>	<u>\$ 23,204,117</u>	<u>\$ 23,408,760</u>
Other Uses:					
Interfund Transfers	<u>14,265</u>	<u>165,425</u>	<u>63,964</u>	<u>344,588</u>	<u>378,293</u>
Total Expenditures and Other Uses	<u>\$ 23,150,133</u>	<u>\$ 23,926,690</u>	<u>\$ 24,011,017</u>	<u>\$ 23,548,705</u>	<u>\$ 23,787,053</u>
Excess (Deficit) Revenues Over Expenditures	<u>1,010,710</u>	<u>(450,737)</u>	<u>(36,920)</u>	<u>(89,261)</u>	<u>558,834</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	3,623,015	4,633,725	4,182,989	4,023,770	3,934,509
Prior Period Adjustments (net)	-	1	(122,299)	-	-
Fund Balance - End of Year	<u>\$ 4,633,725</u>	<u>\$ 4,182,989</u>	<u>\$ 4,023,770</u>	<u>\$ 3,934,509</u>	<u>\$ 4,493,343</u>

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		2020	
	Original Budget	Final Budget	Actual	Adopted Budget
<b>REVENUES</b>				
Real Property Taxes & Tax Items	\$ 8,667,330	\$ 8,667,330	\$ 8,654,804	\$ 8,823,141
Charges for Services	70,000	70,000	132,578	92,000
Use of Money & Property	43,000	43,000	134,918	80,500
Sale of Property and Compensation for Loss	6,000	6,000	17,047	6,000
Miscellaneous	230,000	230,000	317,360	230,000
Revenues from State Sources	15,114,254	15,114,254	15,624,204	15,667,361
Revenues from Federal Sources	40,000	40,000	99,485	30,000
Total Revenues	<u>\$ 24,170,584</u>	<u>\$ 24,170,584</u>	<u>\$ 24,980,396</u>	<u>\$ 24,929,002</u>
Other Sources:				
Interfund Transfers	-	-	751,410	-
Total Revenues and Other Sources	<u>\$ 24,170,584</u>	<u>\$ 24,170,584</u>	<u>\$ 25,731,806</u>	<u>\$ 24,929,002</u>
<b>EXPENDITURES</b>				
General Support	\$ 3,350,364	\$ 3,280,574	\$ 2,875,950	\$ 3,411,642
Instruction	12,650,445	12,731,299	12,201,743	13,043,556
Pupil Transportation	1,333,721	1,359,209	1,343,727	1,390,392
Community Services	8,000	5,557	3,207	8,000
Employee Benefits	5,798,000	5,801,603	5,577,942	5,733,000
Debt Service	1,989,463	1,989,463	1,989,462	1,994,715
Total Expenditures	<u>\$ 25,129,993</u>	<u>\$ 25,167,705</u>	<u>\$ 23,992,031</u>	<u>\$ 25,581,305</u>
Other Uses:				
Interfund Transfers	430,000	2,602,902	2,569,245	680,000
Total Expenditures and Other Uses	<u>\$ 25,559,993</u>	<u>\$ 27,770,607</u>	<u>\$ 26,561,276</u>	<u>\$ 26,261,305</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,389,409)</u>	<u>(3,600,023)</u>	<u>(829,470)</u>	<u>(1,332,303)</u>
<b>FUND BALANCE</b>				
Fund Balance - Beginning of Year	1,389,409	3,600,023	4,493,343	1,332,303
Prior Period Adjustments (net)	-	-	(75,460)	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,588,413</u>	<u>\$ -</u>

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

**BONDED DEBT SERVICE**

Fiscal Year Ending June 30th	Principal	Interest	Total
2020	\$ 1,574,417	\$ 706,067	\$ 2,280,484
2021	1,642,250	641,441	2,283,691
2022	3,010,000	566,816	3,576,816
2023	3,050,000	451,750	3,501,750
2024	3,110,000	333,919	3,443,919
2025	3,170,000	212,688	3,382,688
2026	1,530,000	70,650	1,600,650
<b>TOTALS</b>	<b>\$ 17,086,667</b>	<b>\$ 2,983,330</b>	<b>\$ 20,069,997</b>

Note: On November 9, 2017, the District issued \$6,555,000 refunding serial bonds issued through DASNY to advance refund the District's 2011 serial bonds maturing in the years 2022-2026. The refunded and refunding bonds are included in the total above. \$6,700,000 refunded bonds are outstanding and will be redeemed in full as of their first call date, April 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2011*			2014			2015		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,255,000	\$ 414,519	\$ 1,669,519	\$ 70,000	\$ 753	\$ 70,753	\$ 65,000	\$ 2,158	\$ 67,158
2021	1,320,000	351,769	1,671,769	-	-	-	70,000	770	70,770
2022	1,385,000	285,769	1,670,769	-	-	-	-	-	-
2023	1,450,000	216,519	1,666,519	-	-	-	-	-	-
2024	1,510,000	158,519	1,668,519	-	-	-	-	-	-
2025	1,575,000	98,119	1,673,119	-	-	-	-	-	-
2026	780,000	33,150	813,150	-	-	-	-	-	-
TOTALS	\$ 9,275,000	\$ 1,558,363	\$ 10,833,363	\$ 70,000	\$ 753	\$ 70,753	\$ 135,000	\$ 2,928	\$ 137,928

\*The 2022 - 2026 maturities were advance refunded by the 2017 DASNY bonds.

Fiscal Year Ending June 30th	2016			2017			2017		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 65,000	\$ 3,331	\$ 68,331	\$ 60,000	\$ 4,581	\$ 64,581	\$ 5,000	\$ 270,600	\$ 275,600
2021	65,000	2,356	67,356	65,000	3,331	68,331	5,000	270,450	275,450
2022	65,000	894	65,894	65,000	2,031	67,031	1,370,000	270,300	1,640,300
2023	-	-	-	65,000	691	65,691	1,410,000	229,200	1,639,200
2024	-	-	-	-	-	-	1,470,000	172,800	1,642,800
2025	-	-	-	-	-	-	1,530,000	114,000	1,644,000
2026	-	-	-	-	-	-	750,000	37,500	787,500
TOTALS	\$ 195,000	\$ 6,581	\$ 201,581	\$ 255,000	\$ 10,634	\$ 265,634	\$ 6,540,000	\$ 1,364,850	\$ 7,904,850

Fiscal Year Ending June 30th	2018			2019		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 54,417	\$ 10,126	\$ 64,543	\$ -	\$ -	\$ -
2021	60,000	5,313	65,313	57,250	7,452	64,702
2022	60,000	3,963	63,963	65,000	3,859	68,859
2023	60,000	2,538	62,538	65,000	2,803	67,803
2024	65,000	894	65,894	65,000	1,706	66,706
2025	-	-	-	65,000	569	65,569
2026	-	-	-	-	-	-
TOTALS	\$ 299,417	\$ 22,832	\$ 322,249	\$ 317,250	\$ 16,390	\$ 333,640

## MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") 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 Note is 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 Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (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 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 School District, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

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

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

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 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 District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**GENERAL PURPOSE FINANCIAL  
STATEMENTS**

**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.**

**S**OUTH LEWIS CENTRAL  
SCHOOL DISTRICT

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*FINANCIAL STATEMENTS*

June 30, 2019

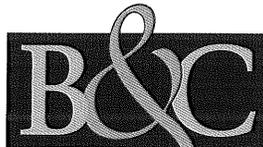
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**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS \* BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

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**BOARD OF EDUCATION  
SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lewis Central School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise South Lewis Central School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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 South Lewis Central School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-16), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 72), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (page 73), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 74), and Schedule of District's Contributions – NYSLRS Pension Plan (page 75) 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.

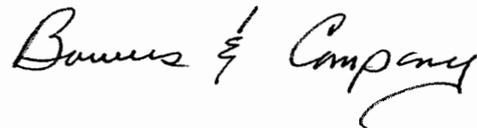
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Lewis Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 76-80) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (page 87) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 76-80), and the Schedule of Expenditures of Federal Awards (page 87) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 76-80), and the Schedule of Expenditures of Federal Awards (page 87) are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, on our consideration of the South Lewis Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Lewis Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Lewis Central School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bowers & Company". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Company".

Watertown, New York  
September 13, 2019

# **SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

### **INTRODUCTION**

---

The following is a discussion and analysis of the South Lewis Central School District of Turin, New York's 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 based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

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The District's financial position, as a whole, includes a total net position deficit of \$23.012 million as of June 30, 2019.

Over the past three (3) fiscal years, operations and staffing have remained relatively stable. Although the New York State imposed Tax Levy Limit calculation would allow for a higher tax levy increase, the District has maintained slightly under a 2% annual increase in the local Tax Levy.

Additional information on this District presentation is as follows:

- Student enrollment declined slightly from 1,007 students in 2017-18 to 1,004 students in 2018-19.
- There were slight increases in the District's tax assessments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS

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This annual report consists of three (3) parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two (2) statements are district-wide financial statements that both provide short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. The 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 governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

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 and actual expenditures for the year.

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

**OVERVIEW OF FINANCIAL STATEMENTS – Continued**

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
➔	District-Wide	Governmental Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
<b>Required Financial Statements</b>	1. Statement of Net Position  2. Statement of Activities	3. Balance Sheet  4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position  6. Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Asset / Liability Information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of Inflow / Outflow Information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

**OVERVIEW OF FINANCIAL STATEMENTS – Continued**

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**District-Wide Statements**

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, 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 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 and 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, you need to consider additional non-financial 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.

**Fund Financial Statements**

The 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:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

**OVERVIEW OF FINANCIAL STATEMENTS – Continued**

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**Fund Financial Statements – Continued**

The District has two (2) kinds of funds:

- 1.) **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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explain the relationship (or differences) between them.
  
- 2.) **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activity 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.

The term "fund balance" refers to the particular fund's equity (Assets + Deferred Outflows of Resources – Liabilities + Deferred Inflows of Resources) in a similar manner to the way the term "net position" is used in the district-wide financial statements presentation.

Highlights of some of the District's larger funds are as follows:

General Fund

The General Fund had \$4.7 million in assets consisting primarily of cash and aid monies due from NYS. Total liabilities of \$1.1 million consisted primarily of \$886 thousand due to the Teachers' Retirement System and Employees' Retirement System. 62.94% of the District's revenues came from State and Federal sources and 30.62% from Real Property taxes. At June 30, 2019, the District showed a deficit of revenues and other financing sources over expenditures and other financing uses in its General Fund of \$829 thousand and total fund balance of \$3.6 million.

## SOUTH LEWIS CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

#### OVERVIEW OF FINANCIAL STATEMENTS – Continued

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##### **Fund Financial Statements – Continued**

###### Special Aid Fund

The Special Aid fund had approximately \$131 thousand in assets at June 30, 2019, which consisted primarily of cash and amounts due from State and Federal Aid. Liabilities of \$131 thousand consisted primarily of monies borrowed from the General Fund.

###### School Food Service Fund

The School Food Service Fund had \$86 thousand in assets consisting primarily of inventory and amounts due from State and Federal Aid. Liabilities of \$127 thousand consist predominately of an amount due to the General Fund for \$90 thousand. The School Food Service fund had a deficit of revenues over expenditures of approximately \$288 thousand before operating transfers in and a total fund deficit of \$40,348.

###### Capital Funds

The District has an ongoing Capital project involving an addition and renovations. The project is in its early stages with construction bids anticipated in December of 2019. Additional information on this project can be found in the Schedule of Capital Projects Fund – Project Expenditures and Financing Resources.

#### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

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Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$23,012,102 at the close of the most recent fiscal year. This represents a \$400,915 decrease in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2019, the OPEB liability was \$43,892,190 compared to \$43,186,626 reported at the close of the prior fiscal year. See Note 12 for additional OPEB information.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued**

Our analysis below focuses on the net position (Table A-2) and changes in net position (Table A-3) of the District's governmental activities. Table A-2 shows changes in Capital Assets; changes in Current and Long-Term Liabilities, which reflect the repayment of long-term liabilities, net of the issuance of a serial bond for the purchase of buses; and changes in Restricted Net Position, which reflects a decrease in total net position.

**Table A-2: Condensed Statement of Net Position**

	Fiscal Year 2018 (Restated)	Fiscal Year 2019	Percent Change
<b>Assets</b>			
Current and Other Assets	\$ 6,590,626	\$ 6,447,924	-2.2%
Capital Assets, Net	27,602,296	27,781,147	0.6%
<b>Total Assets</b>	<u>\$ 34,192,922</u>	<u>\$ 34,229,071</u>	<u>0.1%</u>
Deferred Outflows of Resources	<u>\$ 7,258,190</u>	<u>\$ 6,453,681</u>	<u>-11.1%</u>
<b>Liabilities</b>			
Long-Term Liabilities	\$ 56,176,132	\$ 55,907,709	-0.5%
Other Liabilities	1,288,515	1,332,902	3.4%
<b>Total Liabilities</b>	<u>\$ 57,464,647</u>	<u>\$ 57,240,611</u>	<u>-0.4%</u>
Deferred Inflows of Resources	<u>\$ 6,597,652</u>	<u>\$ 6,454,243</u>	<u>-2.2%</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 15,631,401	\$ 17,131,625	9.6%
Restricted	1,680,547	608,270	-63.8%
Unrestricted (Deficit)	(39,923,135)	(40,751,997)	2.1%
<b>Total Net Position</b>	<u>\$ (22,611,187)</u>	<u>\$ (23,012,102)</u>	<u>1.8%</u>

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. Included in deferred outflows of resources in the current year is \$5,291,716 related to the District's participation in the NYS TRS and ERS pension systems, \$927,860 related to the District's OPEB Plan, and \$234,105 for a deferred charge on bond refunding.

In addition to liabilities, the *Statement of Net Position* or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$1,381,282 related to the District's participation in the NYS TRS and ERS pension systems, and \$5,072,961 related to the District's OPEB Plan.

## SOUTH LEWIS CENTRAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

The School District's total revenues remained consistent with the prior year (Table A-3), while the total costs of all programs and services decreased by approximately 1.5% due to being in-between capital projects.

**Table A-3: Changes in Net Position from Operating Results Governmental Activities Only**

	Fiscal Year 2018 (Restated)	Fiscal Year 2019	Percent Change
<b>Revenues</b>			
Charges for Services	\$ 236,958	\$ 280,401	18.3%
Operating Grants and Contributions	2,068,791	1,821,847	-11.9%
General Revenues			
Property Taxes	8,606,777	8,654,804	0.6%
State Formula Aid	15,653,677	15,624,204	-0.2%
Federal Aid	65,069	99,485	52.9%
Other	534,367	671,831	25.7%
<b>Total Revenues</b>	<u>\$ 27,165,639</u>	<u>\$ 27,152,572</u>	<u>0.0%</u>
<b>Expenses</b>			
General Support	\$ 4,825,396	\$ 4,734,483	-1.9%
Instruction	19,625,517	19,224,867	-2.0%
Pupil Transportation	2,100,042	2,154,079	2.6%
Community Service	-	3,207	0.0%
Debt Service - Interest	419,030	415,061	-0.9%
School Food Service	995,904	1,021,790	2.6%
<b>Total Expenses</b>	<u>\$ 27,965,889</u>	<u>\$ 27,553,487</u>	<u>-1.5%</u>
<b>Change in Net Position</b>	<u>\$ (800,250)</u>	<u>\$ (400,915)</u>	<u>-49.9%</u>

The School District's total fiscal year 2019 revenues totaled \$27.2 million. Property taxes and State formula aid accounted for most of the District's revenue by contributing 32 cents and 58 cents respectively, of every dollar raised (See Table A-4). The remainder came from fees charged for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$27.6 million for fiscal year 2019. Out of this total, 81.3 percent are predominately related to instruction, school food service and transporting students (See Table A-5). General support and other District business activities account for the remaining 18.7 percent of total costs.

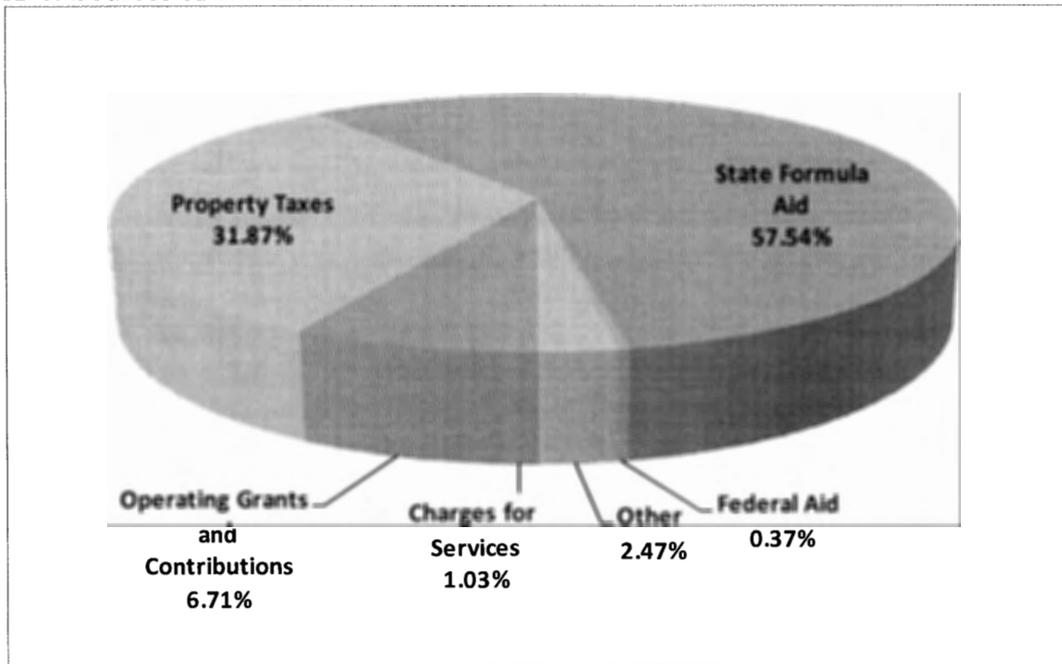
**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

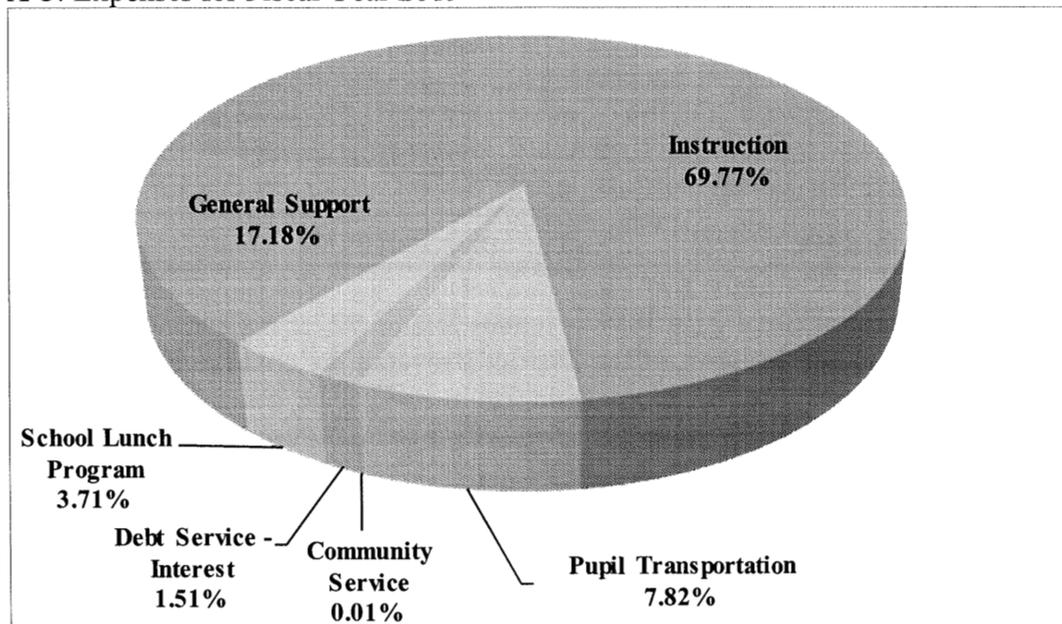
June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued**

**Table A-4: Sources of Revenues for Fiscal Year 2019**



**Table A-5: Expenses for Fiscal Year 2019**



## SOUTH LEWIS CENTRAL SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the budget several times. These budget amendments fall into two (2) categories:

- Changes made to accounts for significant events.
- Increases in appropriations preventing budget overruns.

Highlighted variances between budget and actual are as follows:

#### **Revenues:**

- Overall revenues received in 2018-19 were in line with the budget (+3.3% variance).

#### **Expenditures:**

- Teaching regular school was under budget (-3.5% variance).
- Pupil transportation was slightly less than budget due to consolidating certain pick-ups and lower fuel prices (-1.1% variance).
- Employee benefits were slightly less than budget due to the budget being slightly higher than necessary in these areas since some of the final rates were not finalized at the time of budget adoption (-3.86% variance).

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

By the end of fiscal year 2019, the School District had invested \$ 27.8 million in a broad range of capital assets, including land, improvements, buildings, machinery and equipment, and vehicles. This amount represents a net increase in net capital assets (including additions and deductions) of approximately \$179,000 or 0.65% over last year.

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued**

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Capital Assets – Continued

**Table A-6:** Capital Assets, Net of Accumulated Depreciation at Year End:

<b>Category</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Percent Change</b>
Land & Improvements	\$ 54,700	\$ 239,700	338.21%
Construction in Progress	-	1,155,612	0.00%
Buildings	24,619,771	23,762,588	-3.48%
Equipment & Furniture	2,927,825	2,623,247	-10.40%
<b>Total</b>	<b>\$ 27,602,296</b>	<b>\$ 27,781,147</b>	<b>0.65%</b>

Long-Term Debt

At year-end, the District had \$55.9 million in general obligations and other long-term debt outstanding versus \$56.2 million last year, a decrease of 0.48%.

**Table A-7:** Outstanding Long-Term Debt

<b>Category</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Percent Change</b>
General Obligation Bonds	\$ 12,240,387	\$ 10,883,627	-11.08%
Other Long-Term Liabilities	43,935,745	45,024,082	2.48%
<b>Total</b>	<b>\$ 56,176,132</b>	<b>\$ 55,907,709</b>	<b>-0.48%</b>

The District's general obligation bond rating continues to carry a rating of *Aa3* (Moody's) and *AA-* (S&P). The state limits the amount of general obligation debt that Non-City School Districts can issue up to 10% of the full value of all taxable property within the District's geographic limits. The District's outstanding general obligation debt is approximately \$53 million below the \$64 million state-imposed limit.

More detailed information about the District's outstanding debt is presented in the Notes to the Financial Statements.

## **SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District was classified as a "High-Needs" district, which could result in an increase in the base State Formula Aid for future school years, but not guaranteed.
- Increases in health insurance continues, ERS and TRS contributions continue to be a major consideration with leveling off projected.
- The District is consolidating from three buildings to one with a major capital project due for completion in August of 2021. This project will result in many efficiencies, both fiscal and educationally.
- The 2019-20 General Fund budget contains a 2.74% increase from 2018-19.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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The 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 any questions about this report or need additional financial information, contact:

South Lewis Central School  
Attn: Business Administrator  
PO Box 10  
4264 East Road  
Turin, New York 13473  
(315) 348-2500

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**AUDITED BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2019

<b>ASSETS</b>		
Cash and Cash Equivalents		
Unrestricted	\$	3,223,126
Restricted		1,452,658
Receivables		
State and Federal Aid		858,308
Due From Fiduciary Funds		16
Other		11,067
Inventories		32,802
Capital Assets, Net		27,781,147
Net Pension Asset – Proportionate Share		869,947
Total Assets	<u>\$</u>	<u>34,229,071</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Bond Refunding	\$	234,105
Other Postemployment Benefits		927,860
Pensions		5,291,716
Total Deferred Outflows of Resources	<u>\$</u>	<u>6,453,681</u>
<b>LIABILITIES</b>		
Payables		
Accounts Payable	\$	56,650
Accrued Liabilities		49,209
Due to Other Governments		186
Accrued Interest on Bonds Payable		174,893
Due to Teachers' Retirement System		885,586
Due to Employees' Retirement System		140,005
Unearned Credits		
Unearned Revenues – Other		26,373
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		1,719,254
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		9,164,373
Compensated Absences Payable		411,487
Other Postemployment Benefits Payable		43,892,190
Net Pension Liability – Proportionate Share		720,405
Total Liabilities	<u>\$</u>	<u>57,240,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	\$	5,072,961
Pensions		1,381,282
Total Deferred Inflows of Resources	<u>\$</u>	<u>6,454,243</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$	17,131,625
Restricted for:		
Debt Service		27,515
Other Legal Restrictions		580,755
Unrestricted (Deficit)		(40,751,997)
Total Net Position	<u>\$</u>	<u>(23,012,102)</u>

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES**

Year Ended June 30, 2019

		<b>Program Revenues</b>		<b>Net (Expenses)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenues and</b>
		<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
				<b>Net Position</b>
<b>FUNCTIONS/PROGRAMS</b>				
General Support	\$ 4,734,483	\$ -	\$ -	\$ (4,734,483)
Instruction	19,224,867	132,578	1,272,063	(17,820,226)
Pupil Transportation	2,154,079	-	-	(2,154,079)
Community Service	3,207	-	-	(3,207)
Debt Service – Interest	415,061	-	-	(415,061)
School Food Service Program	1,021,790	147,823	549,784	(324,183)
Total Functions and Programs	\$ 27,553,487	\$ 280,401	\$ 1,821,847	(25,451,239)
<b>GENERAL REVENUES</b>				
Real Property Taxes				7,649,985
Other Tax Items				1,004,819
Use of Money and Property				139,945
Gain on Disposition of Property				11,641
Sale of Property and Compensation for Loss				17,047
Capital Contribution Revenue				185,000
State Sources				15,624,204
Medicaid Reimbursement				99,485
Miscellaneous				318,198
Total General Revenues				25,050,324
Change in Net Position				(400,915)
Net Position – Beginning of Year, As Restated				(22,611,187)
Net Position – End of Year				\$ (23,012,102)

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2019

	<u>General</u>	<u>Capital Project - Campus-Wide</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents				
Unrestricted	\$ 3,207,141	\$ -	\$ 15,985	\$ 3,223,126
Restricted	580,755	871,903	-	1,452,658
Receivables				
Due From Other Funds	221,057	-	85,156	306,213
Due From Fiduciary Funds	16	-	-	16
State and Federal Aid	698,488	-	159,820	858,308
Other	11,067	-	-	11,067
Inventories	-	-	32,802	32,802
<b>TOTAL ASSETS</b>	<u>\$ 4,718,524</u>	<u>\$ 871,903</u>	<u>\$ 293,763</u>	<u>\$ 5,884,190</u>
<b>LIABILITIES</b>				
Payables				
Accounts Payable	\$ 7,659	\$ -	\$ 48,991	\$ 56,650
Accrued Liabilities	39,220	-	9,989	49,209
Due to Other Funds	57,641	27,515	221,057	306,213
Due to Other Governments	-	-	186	186
Due to Teachers' Retirement System	885,586	-	-	885,586
Due to Employees' Retirement System	140,005	-	-	140,005
Unearned Credits				
Unearned Revenues	-	-	26,373	26,373
Total Liabilities	<u>1,130,111</u>	<u>27,515</u>	<u>306,596</u>	<u>1,464,222</u>
<b>FUND BALANCES</b>				
Restricted	580,755	-	27,515	608,270
Assigned	1,363,874	844,388	-	2,208,262
Unassigned (Deficit)	1,643,784	-	(40,348)	1,603,436
Total Fund Balances (Deficits)	<u>3,588,413</u>	<u>844,388</u>	<u>(12,833)</u>	<u>4,419,968</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,718,524</u>	<u>\$ 871,903</u>	<u>\$ 293,763</u>	<u>\$ 5,884,190</u>

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2019

**Total Fund Balance – Governmental Funds** \$ 4,419,968

Amounts reported for governmental activities in the Statement of Net Position are different because:

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Asset - Proportionate Share - TRS	869,947
Net Pension Liability - Proportionate Share - ERS	(720,405)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 5,072,961	
Pensions	1,381,282	(6,454,243)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:

Other Postemployment Benefits	\$ 927,860	
Pensions	5,291,716	
Deferred Charge on Bond Refunding	234,105	6,453,681

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 52,747,502	
Accumulated Depreciation is	(24,966,355)	27,781,147

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 10,069,417	
Accrued Interest on Bonds Payable	174,893	
Compensated Absences Payable	411,487	
Other Postemployment Benefits Payable	43,892,190	
Premium on Bond Issue	814,210	(55,362,197)

**Total Net Position – Governmental Activities** \$ (23,012,102)

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	<u>General</u>	<u>Capital Project - Campus-Wide</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 7,649,985	\$ -	\$ -	\$ 7,649,985
Other Tax Items	1,004,819	-	-	1,004,819
Charges for Services	132,578	-	-	132,578
Use of Money and Property	134,918	-	5,027	139,945
Sale of Property and Compensation for Loss	17,047	-	-	17,047
State Sources	15,624,204	-	574,766	16,198,970
Medicaid Reimbursement	99,485	-	-	99,485
Federal Sources	-	-	1,195,771	1,195,771
Surplus Food	-	-	51,310	51,310
Sales – School Food Service	-	-	147,343	147,343
Miscellaneous	317,360	-	1,318	318,678
Total Revenues	<u>24,980,396</u>	<u>-</u>	<u>1,975,535</u>	<u>26,955,931</u>
<b>EXPENDITURES</b>				
General Support	2,875,950	-	372,234	3,248,184
Instruction	12,201,743	-	1,183,780	13,385,523
Pupil Transportation	1,343,727	-	31,725	1,375,452
Community Service	3,207	-	-	3,207
Employee Benefits	5,577,942	-	310,854	5,888,796
Debt Service				
Principal	1,511,340	-	-	1,511,340
Interest	478,122	-	-	478,122
Cost of Sales	-	-	384,481	384,481
Capital Outlay	-	1,155,612	521,017	1,676,629
Total Expenditures	<u>23,992,031</u>	<u>1,155,612</u>	<u>2,804,091</u>	<u>27,951,734</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>988,365</u>	<u>(1,155,612)</u>	<u>(828,556)</u>	<u>(995,803)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Proceeds from Debt	-	-	299,417	299,417
Operating Transfers In	751,410	2,000,000	569,245	3,320,655
Operating Transfers (Out)	(2,569,245)	-	(751,410)	(3,320,655)
Total Other Financing Sources and (Uses)	<u>(1,817,835)</u>	<u>2,000,000</u>	<u>117,252</u>	<u>299,417</u>
Net Change in Fund Balances	(829,470)	844,388	(711,304)	(696,386)
Fund Balances – Beginning of Year, As Restated	4,417,883	-	698,471	5,116,354
Fund Balances (Deficits) – End of Year	<u>\$ 3,588,413</u>	<u>\$ 844,388</u>	<u>\$ (12,833)</u>	<u>\$ 4,419,968</u>

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2019

**Net Change in Fund Balances – Total Governmental Funds** \$ (696,386)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial individual cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and the related gain of disposal of capital assets in the current period.

Capital Outlays	\$	1,759,802	
Gain on Disposals		11,641	
Depreciation Expense		<u>(1,777,592)</u>	(6,149)

The receipt of donated capital assets is not reported in the governmental funds but is reported as a general revenue in the Statement of Activities. This is the appraised value of donated capital assets in the current period. 185,000

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. 1,511,340

Repayment of installment purchase debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 61,484

Proceeds of long-term debt are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year. (299,417)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds and amortization of premium on bond issue. 63,061

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES - CONTINUED**

Year Ended June 30, 2019

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (56,823)

On the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (1,251,149)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

	\$	153,795	
Teachers' Retirement System			
Employees' Retirement System		(65,671)	88,124
<b>Change in Net Position of Governmental Activities</b>			<b>\$ (400,915)</b>

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2019

	<b>Private Purpose Trusts</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and Cash Equivalents		
Unrestricted	\$ -	\$ 168,305
Restricted	432,581	-
Total Assets	<u>\$ 432,581</u>	<u>\$ 168,305</u>
<b>LIABILITIES</b>		
Due to Governmental Funds	\$ -	\$ 16
Extra Classroom Activity Balances	-	45,304
Other Liabilities	-	122,985
Total Liabilities	<u>-</u>	<u>\$ 168,305</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$ 432,581</u>	

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See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2019

	<b>Private Purpose Trusts</b>
<b>ADDITIONS</b>	
Other Revenues	\$ 9,046
Gifts and Contributions	11,365
Interest Earnings	9,218
Total Additions	<u>29,629</u>
<b>DEDUCTIONS</b>	
Scholarships and Awards	27,085
Other Expenses	5,226
Total Deductions	<u>32,311</u>
Change in Net Position	(2,682)
Net Position – Beginning of Year	<u>435,263</u>
Net Position – End of Year	<u><u>\$ 432,581</u></u>

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See notes to audited basic financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of South Lewis Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

**Reporting Entity**

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Joint Venture**

The District is one of 18 component school districts in the Jefferson-Lewis-Hamilton- Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

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

During the year, the District was billed \$3,731,111 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$978,359. This represents state aid distributions of \$824,536 and 2018 fund balance returned to schools of \$153,823.

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

**Basis of Presentation**

**District-Wide Statements**

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Basis of Presentation – Continued**

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

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

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Basis of Presentation – Continued**

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

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

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

**Measurement Focus and Basis of Accounting**

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Measurement Focus and Basis of Accounting – Continued**

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

The fund 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

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

**Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, 2018 and become a lien on August 7, 2018. Taxes are collected during the period from September 1, 2018 to October 31, 2018.

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

**Restricted Resources**

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

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Interfund Transactions**

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflow of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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.

**Cash and Cash Equivalents**

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Cash and Cash Equivalents – Continued**

New York State law governs the District’s investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

**Accounts Receivable**

Accounts receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**Inventories**

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

A portion of the fund balance in the amount of these non-liquid assets (inventories) has been identified as not available for other subsequent expenditures. (In the current period the portion of the School Food Service Fund balance reported in this category was limited by the total fund balance available.)

**Other Assets**

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Capital Assets**

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings	\$ 5,000	Straight-line	40 Years
Site Improvements	5,000	Straight-line	20 Years
Vehicles, Furniture & Equipment	5,000	Straight-line	5-20 Years

The District does not possess any infrastructure.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. First is the deferred charge on bond refunding reported in the district-wide Statement of Net Position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Deferred Outflows and Inflows of Resources – Continued**

In addition to liabilities, the *Statement of Net Position* or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**Unearned Revenue**

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

**Vested Employee Benefits**

Compensated Absences

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

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.

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

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

## SOUTH LEWIS CENTRAL SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **Vested Employee Benefits – Continued**

In the fund 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.

##### **Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403 (b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure.

##### **Short-Term Debt**

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The 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 there is an insufficient or no provision 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Short-Term Debt – Continued**

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

**Accrued Liabilities and Long-Term Obligations**

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

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

**Equity Classifications**

District-Wide Statements

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

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

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

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

Fund Statements

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

**Nonspendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund. The School Food Service Fund had \$32,802 of actual inventories on hand as of June 30, 2019. (The nonspendable portion is limited by the available fund balance.)

**Restricted** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

**Debt Service**

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

**Liability Claims and Property Loss**

According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss 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 with a population under 125,000. This reserve is accounted for in the General Fund.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

**Repairs**

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote or 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.

**Employee Benefit Accrued Liability**

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due to 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.

**Unemployment Insurance**

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

Restricted fund balances include the following:

General Fund	
Liability Claims and Property Loss	\$ 65,410
Employee Benefit Accrued Liability	344,560
Repairs	66,853
Unemployment Insurance	103,932
Debt Service Fund	27,515
Total Restricted Funds	<u>\$ 608,270</u>

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See notes to audited basic financial statements.

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.

**Assigned** – Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

Unassigned Fund Balance

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications – Continued**

**New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new statements issued by GASB:

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

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

**Future Changes in Accounting Standards**

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

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.

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES  
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE  
STATEMENTS**

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

**Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

**Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities**

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**  
June 30, 2019

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES  
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE  
STATEMENTS – Continued**

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**Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of  
Activities – Continued**

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset (liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY**

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**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY – Continued**

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**Budgets – Continued**

The following supplemental appropriations occurred during the year: utilization of \$150,000 to cover costs of an emergency project in the Capital Projects Funds for the sewer system and moving \$2,022,902 to the Capital Projects Funds to be utilized in the Campus-Wide building project.

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

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

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

**Encumbrances**

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

**Other**

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law § 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District plans to continue reducing the fund balance within the budget process. As the current building project progresses, the District will investigate establishing another Capital Reserve using some fund balance as a component.

The School Food Service Fund shows an unassigned fund balance deficit of \$40,348. This deficit has accumulated over the normal course of operations. The District is working with the school food service program to reduce expenses to ensure break-even or slightly profitable years in the future. The interfund transfer from the General Fund should ensure appropriate levels of revenue.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 4 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS**

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**Cash**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

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

Uncollateralized	\$ <u>          -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u>      85,655</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,452,658 within the governmental funds.

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

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

**Investment Pool**

The District participated in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2019, the District held \$3,579,260 in the General Fund and \$871,903 in the Capital Project – Campus-Wide Fund through the cooperative classified as unrestricted and restricted cash.

The amounts held represent the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NY Class.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 5 – RECEIVABLES**

Receivables at year-end are as follows:

Description	General	Special Aid	School Food Service	Total
State and Federal	\$ 698,488	\$ 121,742	\$ 38,078	\$ 858,308
Due from Fiduciary Funds	16	-	-	16
Other	11,067	-	-	11,067
<b>Total</b>	<b>\$ 709,571</b>	<b>\$ 121,742</b>	<b>\$ 38,078</b>	<b>\$ 869,391</b>

District management has deemed the amounts to be fully collectible.

**NOTE 6 – CAPITAL ASSETS**

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 54,700	\$ 185,000	\$ -	\$ 239,700
Construction In Progress	-	1,155,612	-	1,155,612
Total Nondepreciable Assets	54,700	1,340,612	-	1,395,312
Capital Assets That Are Depreciated:				
Site Improvements	2,075,458	121,671	-	2,197,129
Buildings	42,367,930	-	-	42,367,930
Furniture and Equipment	6,799,774	524,520	(537,163)	6,787,131
Total Depreciable Assets	51,243,162	646,191	(537,163)	51,352,190
Less: Accumulated Depreciation:				
Site Improvements	1,659,409	64,581	-	1,723,990
Buildings	18,164,208	914,273	-	19,078,481
Furniture and Equipment	3,871,949	798,738	(506,803)	4,163,884
Total Accumulated Depreciation	23,695,566	1,777,592	(506,803)	24,966,355
Total Depreciated Assets, Net	27,547,596	(1,131,401)	(30,360)	26,385,835
Capital Assets, Net	<u>\$ 27,602,296</u>	<u>\$ 209,211</u>	<u>\$ (30,360)</u>	<u>\$ 27,781,147</u>

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 6 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 1,026,447
Instruction	453,632
Pupil Transportation	295,436
School Food Service Program	<u>2,077</u>
Total Depreciation Expense	<u><u>\$ 1,777,592</u></u>

**NOTE 7 – SHORT-TERM DEBT**

There were no short-term debt financing transactions during the year ended June 30, 2019.

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS**

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 11,281,340	\$ 299,417	\$ 1,511,340	\$10,069,417	\$ 1,574,417
Installment Purchase Debt	61,484	-	61,484	-	-
Premium on Bonds	<u>959,047</u>	<u>-</u>	<u>144,837</u>	<u>814,210</u>	<u>144,837</u>
Total Bonds and Notes Payable	<u>12,301,871</u>	<u>299,417</u>	<u>1,717,661</u>	<u>10,883,627</u>	<u>1,719,254</u>
Other Liabilities					
Compensated Absences Payable					
Payable	354,664	56,823	-	411,487	-
Other Postemployment Benefits Liability					
Liability	43,186,626	705,564	-	43,892,190	-
Net Pension Liability – Proportionate Share					
Proportionate Share	<u>332,971</u>	<u>387,434</u>	<u>-</u>	<u>720,405</u>	<u>-</u>
Total Other Liabilities	<u>43,874,261</u>	<u>1,149,821</u>	<u>-</u>	<u>45,024,082</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 56,176,132</u></u>	<u><u>\$ 1,449,238</u></u>	<u><u>\$ 1,717,661</u></u>	<u><u>\$55,907,709</u></u>	<u><u>\$ 1,719,254</u></u>

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

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS – Continued**

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Construction Bond	6/8/2011	2/1/2021	2.000-4.250%	\$ 2,575,000
Refunding Bond	11/9/2017	2/1/2026	2.000-5.000%	6,540,000
Serial Bus Bond	12/1/2014	11/15/2019	1.050-2.150%	70,000
Serial Bus Bond	9/23/2015	9/15/2020	1.100-2.200%	135,000
Serial Bus Bond	9/30/2016	9/15/2021	0.500-2.750%	195,000
Serial Bus Bond	9/15/2017	9/15/2022	2.000-2.125%	255,000
Serial Bus Bond	9/19/2018	9/15/2023	2.250-2.750%	299,417
				<u>\$ 10,069,417</u>

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2020	\$ 1,574,417	\$ 419,545	\$ 1,993,962
2021	1,585,000	346,758	1,931,758
2022	1,560,000	276,294	1,836,294
2023	1,535,000	232,428	1,767,428
2024	1,535,000	173,694	1,708,694
2025 – 2026	<u>2,280,000</u>	<u>151,500</u>	<u>2,431,500</u>
Total	<u>\$ 10,069,417</u>	<u>\$ 1,600,219</u>	<u>\$ 11,669,636</u>

**Advance Refunding**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, the amount of outstanding defeased bonds totaled \$6,700,000.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS – Continued**

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

Interest Paid	\$ 478,122
Less: Interest Accrued in the Prior Year	(189,988)
Plus: Interest Accrued in the Current Year	174,893
Plus: Amortization of Deferred Charge on Bond Refunding	96,871
Less: Amortization of Bond Premium	(144,837)
Total Interest on Long-Term Debt	<u>\$ 415,061</u>

**NOTE 9 – PENSION PLANS**

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**General Information**

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**Teachers' Retirement System (TRS) Plan Description**

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

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See notes to audited basic financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**Employees' Retirement System (ERS) Plan Description**

The 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 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**TRS Benefits Provided**

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

*Tier 1*

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

*Tier 2*

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

*Tier 3*

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

*Tier 4*

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

*Tier 5*

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

*Tier 6*

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**TRS Benefits Provided – Continued**

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2018 is 1.2%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

**ERS Benefits Provided**

Benefits

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with 5 or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**ERS Benefits Provided – Continued**

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**ERS Benefits Provided – Continued**

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require 10 years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for 5 years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for 5 years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for 5 years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2018 and received an overall discount of \$4,140).

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2018 – 2019	\$ 767,977	\$ 487,487
2017 – 2018	918,098	487,146
2016 – 2017	1,029,119	466,360

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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

At June 30, 2019, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 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 District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2019	June 30, 2018
District's Proportionate Share of the		
Net Pension Asset (Liability)	\$ (720,405)	\$ 869,947
District's Portion (%) of the Plan's Total		
Net Pension Asset (Liability)	0.0101676%	0.0481100%
Change in Proportion (%) Since the Prior		
Measurement Date	-0.0001493%	-0.0013240%

For the year ended June 30, 2019, the District's recognized pension expense (credit) of \$65,671 for ERS and \$(153,795) for TRS. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b>ERS</b>	<b>TRS</b>	<b>ERS</b>	<b>TRS</b>
Differences Between Expected and Actual Experience	\$ 141,863	\$ 650,104	\$ 48,359	\$ 117,759
Changes of Assumptions	181,080	3,041,034	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	184,896	965,707
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	173,120	123,901	13,310	51,251
District's Contributions Subsequent to the Measurement Date	140,005	840,609	-	-
<b>Total</b>	<b>\$ 636,068</b>	<b>\$ 4,655,648</b>	<b>\$ 246,565</b>	<b>\$ 1,134,717</b>

See notes to audited basic financial statements.

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2020, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	<b>ERS</b>	<b>TRS</b>
2020	\$ 213,111	\$ 880,959
2021	(97,711)	601,004
2022	20,785	71,417
2023	113,313	598,954
2024	-	418,980
Thereafter	-	109,008

**Actuarial Assumptions**

The total pension asset (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:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Interest Rate	7.00%	7.25%
Salary Scale	4.2%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation Rate	2.5%	2.25%

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See notes to audited basic financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

**Actuarial Assumptions – Continued**

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

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 are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	<b>ERS</b> March 31, 2019	<b>TRS</b> June 30, 2018
<b>Asset Type</b>		
Domestic Equity	4.55%	5.80%
International Equity	6.35%	7.30%
Private Equity	7.50%	8.90%
Global Equity		6.70%
Real Estate	5.55%	4.90%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation – Indexed Bonds	1.25%	
Private Debt		6.80%
Real Estate Debt		2.80%
Domestic Fixed Income Securities		1.30%
Global Fixed Income Securities		0.90%
Short-Term		0.30%
High-Yield Fixed Income Securities		3.50%

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

**Discount Rate**

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

<b>ERS</b>	<b>1% Decrease (6.00%)</b>	<b>Current Assumption (7.00%)</b>	<b>1% Increase (8.00%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (3,149,725)	\$ (720,405)	\$ 1,320,396

<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (5,976,675)	\$ 869,947	\$ 6,605,513

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – PENSION PLANS – Continued**

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**Pension Plan Fiduciary Net Position**

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

	(In Thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement Date	March 31, 2019	June 30, 2018	
Employer's Total Pension Asset (Liability)	\$ (189,803,429)	\$ (118,107,254)	\$ (307,910,683)
Plan Net Position	<u>182,718,124</u>	<u>119,915,518</u>	<u>302,633,642</u>
Employer's Net Pension Asset (Liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of Plan Net Position to the			
Employer's Total Pension Asset (Liability)	96.27%	101.53%	

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. 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 paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$140,005. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 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 \$885,586.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 10 – INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

Interfund balances at June 30, 2019 are as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General	\$ 221,073	\$ 57,641	\$ 751,410	\$ 2,569,245
Special Aid	8,650	131,057	24,743	-
School Food Service	-	90,000	300,000	-
Debt Service	27,515	-	22,902	751,410
Capital – Campus-Wide	-	27,515	2,000,000	-
Capital – Emergency Project	48,991	-	121,671	-
Capital – Mini-Renovation	-	-	99,929	-
Total Governmental Funds	<u>306,229</u>	<u>306,213</u>	<u>3,320,655</u>	<u>3,320,655</u>
Fiduciary	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 306,229</u></u>	<u><u>\$ 306,229</u></u>	<u><u>\$ 3,320,655</u></u>	<u><u>\$ 3,320,655</u></u>

The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 11 – FUND BALANCE EQUITY**

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2019:

<b>Fund Balances (Deficit)</b>	<b>General</b>	<b>Capital Project - Campus- Wide</b>	<b>Non- Major</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>				
Debt Service	\$ -	\$ -	\$ 27,515	\$ 27,515
Liability Claims and Property Loss	65,410	-	-	65,410
Employee Benefit Accrued Liability	344,560	-	-	344,560
Repairs	66,853	-	-	66,853
Unemployment Insurance	103,932	-	-	103,932
<b>Assigned</b>				
Designated for Next Fiscal Year	1,332,303	-	-	1,332,303
General Support	31,433	-	-	31,433
Instruction	138	-	-	138
Capital Project – Campus-Wide	-	844,388	-	844,388
<b>Unassigned</b>				
General Fund	1,643,784	-	-	1,643,784
School Food Service Fund	-	-	(40,348)	(40,348)
<b>Total Governmental Fund</b>				
Balance (Deficit)	<u>\$ 3,588,413</u>	<u>\$ 844,388</u>	<u>\$ (12,833)</u>	<u>\$ 4,419,968</u>

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**

**General Information about the OPEB Plan**

*Plan Description* – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

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**General Information about the OPEB Plan – Continued**

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

*Employees Covered by Benefit Terms* – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	173
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>220</u>
Total Covered Employees	<u><u>393</u></u>

The District participates in the Jefferson-Lewis Et. Al. Employees' Healthcare Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

The Plan is a single employer, defined benefit plan. Currently, 143 retired employees have elected to participate and contribute health insurance payments under the District's group plans. Provider Choice (POS) Plan and the Traditional Plan (both referred to as the Plan). Participants must be eligible to retire under the New York State Retirement System (either TRS or ERS) and must meet the minimum requirements of age 55 with five years of service. This plan pays [for the life of the retiree] 70% of the cost of premiums of teachers and administrators who retire subsequent to July 1, 1988 and 50% of all school related employees, confidential employees, teachers and administrators who retired prior to July 1, 1988.

Spousal benefits continued for the life of the spouse and surviving spouses are permitted to continue coverage subsequent to the death of the retiree but must pay 100% of the plan premium less Medicare Part B premiums if the surviving spouse is Medicare-eligible. Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees, spouses and dependents. Separate financial statements are not issued for the plan.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2019 the District recognized \$962,077 for its share of insurance premiums for currently enrolled retirees.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

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**Total OPEB Liability**

The District has obtained an actuarial valuation report as of June 30, 2019 which indicates that the total liability for other postemployment benefits is \$43,892,190 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions**

Measurement Date	06/30/18
Rate of Compensation Increase	3.50%
Inflation Rate	2.25%
Discount Rate	3.62%

**Assumed Pre-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**Assumed Post-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**Assumed Prescription Drug Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	10.25%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

**Assumed Medicare Part B Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	4.60%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

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See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

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**Total OPEB Liability – Continued**

**Additional Information**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	6.919
Method used to determine Actuarial Value of Assets	N/A

The discount rate was based on the Fidelity General Obligation 20-Year AA Municipal Bond Index as of June 30, 2018.

Mortality rates were based on the headcount-weighted RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 mortality improvement scale on a fully generational basis.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017. Benefit obligations are projected to the measurement date using roll forward techniques by assuming no actuarial gains or losses in the interim, except for those assumption changes necessary to reflect the assumptions as of the measurement date.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 43,186,626
Changes for the Year	
Service Cost	1,583,937
Interest	1,578,870
Changes of Assumptions or Other Inputs	(1,616,672)
Benefit Payments	<u>(840,571)</u>
Net Changes	<u>705,564</u>
Balance at June 30, 2019	<u>\$ 43,892,190</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent as of June 30, 2017 to 3.62 percent as of June 30, 2018.

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See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

**Changes in the Total OPEB Liability – Continued**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 52,300,020	\$ 43,892,190	\$ 37,216,914

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.886 percent) or 1 percentage point higher (trend decreasing to 4.886 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.886%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.886%)	1% Increase (Trend Plus 1% Decreasing to 4.886%)
Total OPEB Liability	\$ 35,003,280	\$ 43,892,190	\$ 55,661,303

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,251,149. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ -	\$ 5,072,961
Benefit Payments Subsequent to the Measurement Date	927,860	-
	\$ 927,860	\$ 5,072,961

See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS – Continued**

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

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. 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,	
2020	\$ (983,798)
2021	(983,798)
2022	(983,798)
2023	(983,798)
2024	(923,039)
Thereafter	(214,730)
	<u>\$ (5,072,961)</u>

**NOTE 13 – RISK MANAGEMENT**

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**General**

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

**Pooled Non-Risk-Retained**

The District participates in the Jefferson-Lewis Et. Al. Schools Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

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See notes to audited basic financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 13 – RISK MANAGEMENT – Continued**

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**Pooled Non-Risk-Retained – Continued**

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$0.

**NOTE 14 – CONTINGENCIES AND COMMITMENTS**

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

**NOTE 15 – DONOR RESTRICTED ENDOWMENTS**

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The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 16 – TAX ABATEMENT**

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The District uses a property tax abatement agreement with local businesses. The local businesses entered into agreements directly with local tax jurisdictions within Lewis County for tax abatement. The purpose of the Payment in Lieu of Taxes (PILOT) agreements are to provide real property tax abatement for value added by construction or renovations. The District has one PILOT agreement executed through the Lewis County Industrial Development Agency (LCIDA), and one agreement through Lewis County. The agreements span for a period of 10 -15 years. As each PILOT agreement matures, the percentage of tax abatement decreases and the PILOT payment to the District increases. At the end of each PILOT agreement, the property will be placed back on the tax roll. Total PILOT payments received in the current year was \$63,473, while approximate taxes forgone due to PILOT agreements totaled \$40,648 for the same year ended.

<b>Company</b>	<b>Agreement Date</b>	<b>2018 % Abated</b>	<b>Taxable Value of Project</b>	<b>Abated Total</b>	<b>Tax Rate</b>	<b>Approx. Taxes Forgone</b>
Flat Rock Wind Power	2/1/2005	53%	\$ 3,262,600	\$ 1,726,827	12.24	\$ 21,136
Otis Technology	2/24/2010	35%	4,554,510	1,594,078	12.24	19,512
					Total	<u>\$ 40,648</u>

**NOTE 17 – RESTATEMENT OF FUND BALANCE**

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The District’s General Fund and Capital Projects Fund – Smart Schools fund balances have been restated to account for \$75,460 of expenditures that were disallowed under the Smart School Bond Act. These expenditures were paid for by the Capital Projects Fund – Smart Schools during the year ended June 30, 2018 and were pending reimbursement. Upon review by the New York State Education Department, the expenditures were disallowed and needed to be transferred to the General Fund. The following details the change in the District’s beginning of year Fund Balance:

Fund Balance Beginning of Year, as Previously Stated	\$ 5,116,354
Decrease in Capital Projects Fund – Smart Schools Expenditures	75,460
Increase in General Fund Expenditures	<u>(75,460)</u>
Fund Balance Beginning of Year, as Restated	<u>\$ 5,116,354</u>

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See notes to audited basic financial statements.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 18 – RESTATEMENT OF NET POSITION**

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The Capital Projects Fund – Smart Schools recorded expenditures in the year ended June 30, 2018 that were disallowed (See Note 17). Also recorded on the Statement of Net Position and the Statement of Activities and Changes in Net Position in the year ended June 30, 2018, were corresponding accounts receivable and revenue balances for monies expected to be collected. A one-time prior period adjustment is necessary to remove the revenue for \$75,460 of disallowed expenditures.

During the year ended June 30, 2019, the District’s actuarial valuation for OPEB was amended due to the actuary’s interpretation of the treatment of deferred (inflows) and outflows of resources occurring at the measurement date. During the year ended June 30, 2018, the actuary calculated a deferred (inflow)/outflow at the end of the year due to a change in assumptions/inputs. While the calculation of the Total OPEB liability at the beginning of year and end of year, as well as the change in liability due to the assumptions/input change was correct, the treatment of when the deferred (inflow)/outflow is recognized in OPEB expense needed to be revised to include a recognition during the fiscal year ended June 30, 2018. Accordingly, the current year report included a “doubling up” of the recognition of the prior year deferred inflow amortization due to changes of assumptions.

A prior-period adjustment of \$750,141 must be made to the beginning net position to reflect the recognition of the 2018 deferred inflow amortization due to changes of assumptions. The impact of this change does not flow through the annual OPEB expense calculation.

The following details the change in the District’s beginning of year Net Position:

Net Position Beginning of Year, as Previously Stated	\$ (23,285,868)
Decrease in Program Revenues – Disallowed Expenditures	(75,460)
2018 Amortization of the Deferred Inflow due to Changes of Assumptions	<u>750,141</u>
Net Position Beginning of Year, as Restated	<u><u>\$ (22,611,187)</u></u>

**NOTE 19 – SUBSEQUENT EVENTS**

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Subsequent events have been evaluated through September 13, 2019 which is the date of the issuance of the financial statements.

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**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

**LAST TWO FISCAL YEARS**

Ended June 30, 2019

<b>Total OPEB Liability</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 1,583,937	\$ 1,854,573
Interest	1,578,870	1,383,550
Changes in Assumptions or Other Inputs	(1,616,672)	(5,190,228)
Benefit Payments	(840,571)	(777,107)
<b>Net Change in Total OPEB Liability</b>	<u>705,564</u>	<u>(2,729,212)</u>
<b>Total OPEB Liability – Beginning</b>	<u>43,186,626</u>	<u>45,915,838</u>
<b>Total OPEB Liability – Ending</b>	<u>\$ 43,892,190</u>	<u>\$ 43,186,626</u>
<b>Covered Payroll</b>	\$ 11,568,520	\$ 11,370,984
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	379.41%	379.80%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
<b>REVENUES</b>					
Local Sources					
Real Property Taxes	\$ 7,680,714	\$ 7,671,875	\$ 7,649,985		\$ (21,890)
Other Tax Items	986,616	995,455	1,004,819		9,364
Charges for Services	70,000	70,000	132,578		62,578
Use of Money and Property	43,000	43,000	134,918		91,918
Sale of Property and Compensation for Loss	6,000	6,000	17,047		11,047
Miscellaneous	230,000	230,000	317,360		87,360
Total Local Sources	<u>9,016,330</u>	<u>9,016,330</u>	<u>9,256,707</u>		<u>240,377</u>
State Sources	15,114,254	15,114,254	15,624,204		509,950
Medicaid Reimbursements	40,000	40,000	99,485		59,485
Total Revenues	<u>24,170,584</u>	<u>24,170,584</u>	<u>24,980,396</u>		<u>809,812</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers From Other Funds	-	-	751,410		751,410
Total Revenues and Other Financing Sources	<u>24,170,584</u>	<u>24,170,584</u>	<u>25,731,806</u>		<u>\$ 1,561,222</u>
				<b>Year-End Encumbrances</b>	<b>Final Budget Variance With Actual And Encumbrances</b>
<b>EXPENDITURES</b>					
General Support					
Board of Education	17,260	17,683	16,125	\$ -	\$ 1,558
Central Administration	249,831	249,810	252,953	-	(3,143)
Finance	373,080	390,648	387,148	-	3,500
Staff	89,475	78,665	59,522	-	19,143
Central Services	2,233,915	2,117,783	1,758,790	31,433	327,560
Special Items	422,300	425,985	401,412	-	24,573
Total General Support	<u>3,385,861</u>	<u>3,280,574</u>	<u>2,875,950</u>	<u>31,433</u>	<u>373,191</u>
Instruction					
Instruction, Administration, and Improvement	893,941	894,420	827,923	-	66,497
Teaching - Regular School	6,146,491	5,945,228	5,740,191	138	204,899
Programs for Children with Handicapping Conditions	2,679,612	3,103,241	3,099,712	-	3,529
Occupational Education	701,572	709,975	705,870	-	4,105
Teaching - Special School	20,800	24,430	25,710	-	(1,280)
Instructional Media	901,276	802,942	723,612	-	79,330
Pupil Services	1,308,968	1,251,063	1,078,725	-	172,338
Total Instruction	<u>12,652,660</u>	<u>12,731,299</u>	<u>12,201,743</u>	<u>138</u>	<u>529,418</u>
Pupil Transportation	1,333,721	1,359,209	1,343,727	-	15,482
Community Service	8,000	5,557	3,207	-	2,350
Employee Benefits	5,798,000	5,801,603	5,577,942	-	223,661
Debt Service	1,989,463	1,989,463	1,989,462	-	1
Total Expenditures	<u>25,167,705</u>	<u>25,167,705</u>	<u>23,992,031</u>	<u>31,571</u>	<u>1,144,103</u>
<b>OTHER FINANCING USES</b>					
Operating Transfers to Other Funds	430,000	2,602,902	2,569,245	-	33,657
Total Expenditures and Other Financing Uses	<u>25,597,705</u>	<u>27,770,607</u>	<u>26,561,276</u>	<u>\$ 31,571</u>	<u>\$ 1,177,760</u>
Net Change in Fund Balance	(1,427,121)	(3,600,023)	(829,470)		
Fund Balances – Beginning, As Restated	4,417,883	4,417,883	4,417,883		
Fund Balances – End	<u>\$ 2,990,762</u>	<u>\$ 817,860</u>	<u>\$ 3,588,413</u>		

**Note to Required Supplementary Information Budget Basis of Accounting** Budgets are adopted on the modified accrual basis of accounting principles generally accepted in the United States.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN**

**LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>					
District's Proportion of the Net Pension Asset (Liability)	0.0481100%	0.0494340%	0.0502953%	0.0491650%	0.0488770%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 869,947	\$ 375,745	\$ (538,684)	\$ 5,106,649	\$ 5,444,615
District's Covered Payroll	\$ 7,867,803	\$ 7,867,025	\$ 7,718,670	\$ 7,386,555	\$ 7,222,940
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>11.06%</u>	<u>4.78%</u>	<u>6.98%</u>	<u>69.13%</u>	<u>75.38%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	101.53%	100.66%	99.01%	110.46%	111.48%
<b>Employees' Retirement System (ERS)</b>					
District's Proportion of the Net Pension Asset (Liability)	0.0101676%	0.0103169%	0.0101388%	0.0105564%	0.0103264%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (720,405)	\$ (332,971)	\$ (952,660)	\$ (1,694,334)	\$ (348,852)
District's Covered Payroll	\$ 3,237,942	\$ 3,140,552	\$ 2,970,190	\$ 2,916,046	\$ 2,853,472
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>22.25%</u>	<u>10.60%</u>	<u>32.07%</u>	<u>58.10%</u>	<u>12.23%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS - NYSLRS PENSION PLAN**

**LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Teachers' Retirement System (TRS)</b>					
Contractually Required Contribution	\$ 767,977	\$ 918,098	\$ 1,029,119	\$ 1,294,627	\$ 1,173,238
Contributions in Relation to the Contractually Required Contribution	<u>767,977</u>	<u>918,098</u>	<u>1,029,119</u>	<u>1,294,627</u>	<u>1,173,238</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,867,803	\$ 7,867,025	\$ 7,718,670	\$ 7,386,555	\$ 7,222,940
Contributions as a Percentage of Covered Payroll	9.76%	11.67%	13.33%	17.53%	16.24%
<b>Employees' Retirement System (ERS)</b>					
Contractually Required Contribution	\$ 487,487	\$ 487,146	\$ 466,360	\$ 550,451	\$ 586,785
Contributions in Relation to the Contractually Required Contribution	<u>487,487</u>	<u>487,146</u>	<u>466,360</u>	<u>550,451</u>	<u>586,785</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 3,237,942	\$ 3,140,552	\$ 2,970,190	\$ 2,916,046	\$ 2,853,472
Contributions as a Percentage of Covered Payroll	15.06%	15.51%	15.70%	18.88%	20.56%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

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See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND**

June 30, 2019

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 25,559,993
Add: Prior Year's Encumbrances	<u>37,712</u>
Original Budget	25,597,705
Budget Revision	<u>2,172,902</u>
Final Budget	<u><u>\$ 27,770,607</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION**

2019-2020 Voter Approved Expenditure Budget	\$ 26,261,305
Maximum Allowed 4% of 2019-2020 Budget	<u><u>\$ 1,050,452</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,363,874
Unassigned Fund Balance	<u>1,643,784</u>
Total Unrestricted Fund Balance	<u><u>3,007,658</u></u>
Less:	
Appropriated Fund Balance	1,332,303
Encumbrances Included in Assigned Fund Balance	<u>31,571</u>
Total Adjustments	<u><u>1,363,874</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,643,784</u></u>
Actual Percentage	<u><u>6.26%</u></u>

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See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES**

Year Ended June 30, 2019

PROJECT TITLE	Expenditures					Unexpended Balance	Methods of Financing					Fund Balance 6/30/2019
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total		BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	
Buses	\$ 299,417	\$ 299,417	\$ -	\$ 299,417	\$ 299,417	\$ -	\$ -	\$ 299,417	\$ -	\$ -	\$ 299,417	\$ -
Mini-Renovation Project	100,000	99,929	-	99,929	99,929	-	-	-	-	99,929	99,929	-
Smart Schools Project	1,308,299	1,308,299	1,312,556	-	1,312,556	(4,257)	-	-	1,187,201	125,355	1,312,556	-
Emergency Project-Septic	150,000	121,671	-	121,671	121,671	-	-	-	-	121,671	121,671	-
Building Project	38,889,800	38,889,800	-	1,155,612	1,155,612	37,734,188	-	-	-	2,000,000	2,000,000	844,388
<b>Totals</b>	<b>\$ 40,747,516</b>	<b>\$ 40,719,116</b>	<b>\$ 1,312,556</b>	<b>\$ 1,676,629</b>	<b>\$ 2,989,185</b>	<b>\$ 37,729,931</b>	<b>\$ -</b>	<b>\$ 299,417</b>	<b>\$ 1,187,201</b>	<b>\$ 2,346,955</b>	<b>\$ 3,833,573</b>	<b>\$ 844,388</b>

See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**COMBINED BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2019

	<u>Special Aid</u>	<u>Capital - Mini- Renovation</u>	<u>Capital - Emergency Project</u>	<u>School Food Service</u>	<u>Capital - Buses</u>	<u>Debt Service</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>							
Cash and Cash Equivalents							
Unrestricted	\$ 665	\$ -	\$ -	\$ 15,320	\$ -	\$ -	\$ 15,985
Due From Other Funds	8,650	-	48,991	-	-	27,515	85,156
State and Federal Aid	121,742	-	-	38,078	-	-	159,820
Inventories	-	-	-	32,802	-	-	32,802
<b>TOTAL ASSETS</b>	<u>\$ 131,057</u>	<u>\$ -</u>	<u>\$ 48,991</u>	<u>\$ 86,200</u>	<u>\$ -</u>	<u>\$ 27,515</u>	<u>\$ 293,763</u>
<b>LIABILITIES</b>							
Payables							
Accounts Payable	\$ -	\$ -	\$ 48,991	\$ -	\$ -	\$ -	\$ 48,991
Accrued Liabilities	-	-	-	9,989	-	-	9,989
Due to Other Funds	131,057	-	-	90,000	-	-	221,057
Due to Other Governments	-	-	-	186	-	-	186
Unearned Credits							
Unearned Revenues	-	-	-	26,373	-	-	26,373
Total Liabilities	<u>131,057</u>	<u>-</u>	<u>48,991</u>	<u>126,548</u>	<u>-</u>	<u>-</u>	<u>306,596</u>
<b>FUND BALANCES</b>							
Restricted	-	-	-	-	-	27,515	27,515
Unassigned (Deficit)	-	-	-	(40,348)	-	-	(40,348)
Total Fund Balances (Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,348)</u>	<u>-</u>	<u>27,515</u>	<u>(12,833)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 131,057</u>	<u>\$ -</u>	<u>\$ 48,991</u>	<u>\$ 86,200</u>	<u>\$ -</u>	<u>\$ 27,515</u>	<u>\$ 293,763</u>

See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	<u>Special Aid</u>	<u>Capital - Mini- Renovation</u>	<u>Capital - Emergency Project</u>	<u>School Food Service</u>	<u>Capital - Buses</u>	<u>Debt Service</u>	<u>Total Non-Major Funds</u>
<b>REVENUES</b>							
Use of Money and Property	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ 5,022	\$ 5,027
State Sources	559,344	-	-	15,422	-	-	574,766
Federal Sources	712,719	-	-	483,052	-	-	1,195,771
Surplus Food	-	-	-	51,310	-	-	51,310
Sales – School Food Service	-	-	-	147,343	-	-	147,343
Miscellaneous	838	-	-	480	-	-	1,318
Total Revenues	<u>1,272,901</u>	<u>-</u>	<u>-</u>	<u>697,612</u>	<u>-</u>	<u>5,022</u>	<u>1,975,535</u>
<b>EXPENDITURES</b>							
General Support	-	-	-	372,234	-	-	372,234
Instruction	1,183,780	-	-	-	-	-	1,183,780
Pupil Transportation	31,725	-	-	-	-	-	31,725
Employee Benefits	82,139	-	-	228,715	-	-	310,854
Cost of Sales	-	-	-	384,481	-	-	384,481
Capital Outlay	-	99,929	121,671	-	299,417	-	521,017
Total Expenditures	<u>1,297,644</u>	<u>99,929</u>	<u>121,671</u>	<u>985,430</u>	<u>299,417</u>	<u>-</u>	<u>2,804,091</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,743)</u>	<u>(99,929)</u>	<u>(121,671)</u>	<u>(287,818)</u>	<u>(299,417)</u>	<u>5,022</u>	<u>(828,556)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Proceeds from Debt	-	-	-	-	299,417	-	299,417
Operating Transfers In	24,743	99,929	121,671	300,000	-	22,902	569,245
Operating Transfers (Out)	-	-	-	-	-	(751,410)	(751,410)
Total Other Financing Sources	<u>24,743</u>	<u>99,929</u>	<u>121,671</u>	<u>300,000</u>	<u>299,417</u>	<u>(728,508)</u>	<u>117,252</u>
Net Change in Fund Balance	-	-	-	12,182	-	(723,486)	(711,304)
Fund Balances (Deficit) – Beginning of Year	-	-	-	(52,530)	-	751,001	698,471
Fund Balances (Deficit) – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,348)</u>	<u>\$ -</u>	<u>\$ 27,515</u>	<u>\$ (12,833)</u>

See paragraph on supplementary schedules included in independent auditor's report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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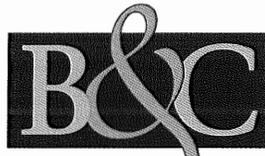
**NET INVESTMENT IN CAPITAL ASSETS**  
Year Ended June 30, 2019

Capital Assets, Net		\$ 27,781,147
Add:		
Deferred Charge on Bond Refunding		234,105
Deduct:		
Premium on Bonds Payable	\$ 814,210	
Short-Term Portion of Bonds Payable	1,574,417	
Long-Term Portion of Bonds Payable	<u>8,495,000</u>	<u>10,883,627</u>
Net Investment in Capital Assets		<u>\$ 17,131,625</u>

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See paragraph on supplementary schedules included in independent auditor's report.

**FEDERAL AWARD PROGRAM INFORMATION**



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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**BOARD OF EDUCATION  
SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lewis Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise South Lewis Central School District's basic financial statements, and have issued our report thereon dated September 13, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Lewis Central 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 South Lewis Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Lewis Central 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.

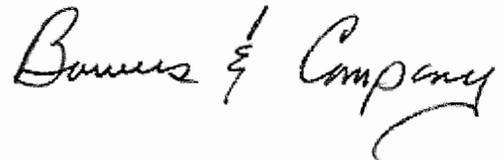
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

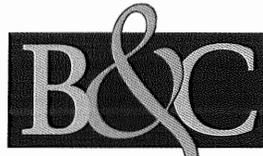
As part of obtaining reasonable assurance about whether South Lewis Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York  
September 13, 2019



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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**BOARD OF EDUCATION  
SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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

We have audited South Lewis Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Lewis Central School District's major federal programs for the year ended June 30, 2019. South Lewis Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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



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

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

In our opinion, South Lewis Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

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

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

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

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

*Bowers & Company*

Watertown, New York  
September 13, 2019

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2019

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Education</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Title I Grants to Local Educational Agencies	84.010	0021-19-1230	\$ 317,757
Special Education Cluster:			
Special Education – Grants to States (IDEA, Part B)	84.027	0032-19-0331	287,489
Special Education – Preschool Grants (IDEA Preschool)	84.173	0033-19-0331	8,634
Total Special Education Cluster			296,123
Rural Education	84.358	0006-19-1230	18,396
Student Support and Academic Enrichment Program	84.424	0204-19-1230	22,972
Improving Teacher Quality State Grants	84.367	0147-19-1230	57,471
Total Passed Through NYS Education Department			712,719
Total U.S. Department of Education			712,719
<b><u>U. S. Department of Agriculture</u></b>			
<b>Passed-Through NYS Education Department:</b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555		51,310
Non-Cash Assistance Subtotal			51,310
Cash Assistance			
School Breakfast Program	10.553		107,447
National School Lunch Program	10.555		345,654
Summer Food Service Program for Children	10.559		29,951
Cash Assistance Subtotal			483,052
Total Child Nutrition Cluster			534,362
Total Passed Through NYS Education Department			534,362
Total U.S. Department of Agriculture			534,362
Total Federal Assistance			\$ 1,247,081

See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable programs and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 – SUBRECIPIENTS**

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No amounts were provided to subrecipients.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2019

**NOTE 3 – OTHER DISCLOSURES**

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

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

**NOTE 4 – NON-MONETARY FEDERAL PROGRAM**

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The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$51,310 of commodities under the National School Lunch Program (CFDA 10.555).

At June 30, 2019, the District had food commodities totaling \$20,412 in inventory.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2019

**NOTE A – SUMMARY OF AUDITOR’S RESULTS**

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1. The auditor’s report expresses an unmodified opinion on the basic financial statements of South Lewis Central School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of South Lewis Central School District.
3. No instances of noncompliance material to the financial statements of South Lewis Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of South Lewis Central School District.
5. The auditor’s report on compliance for the major federal award programs for South Lewis Central School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a) related to the major federal award programs for South Lewis Central School District.
7. The program tested as a major program includes:
  - U.S. Department of Education
  - Passed-Through NYS Education Department
  - Title I Grants to Local Educational Agencies 84.010
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. South Lewis Central School District was determined to be a low-risk auditee.

**NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT**

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There were no findings to report.

**NOTE C – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

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There were no findings to report.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2019

**NOTE A – FINDINGS – FINANCIAL STATEMENT AUDIT**

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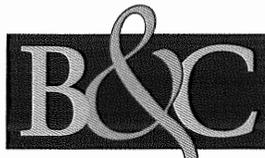
There were no prior year audit findings.

**NOTE B – FINDINGS AND QUESTIONED COSTS- MAJOR  
FEDERAL AWARD PROGRAMS AUDIT**

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There were no prior year audit findings.

**EXTRA CLASSROOM ACTIVITY FUNDS**



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS**

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**BOARD OF EDUCATION**  
**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**Report on the Financial Statement**

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of South Lewis Central School District for the year ended June 30, 2019 and the related note to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

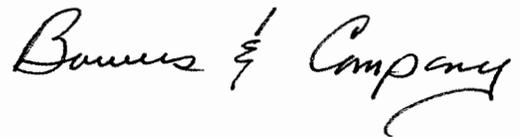
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of the Extra Classroom Activity Funds of South Lewis Central School District for the year ended June 30, 2019, in accordance with the cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York  
September 13, 2019

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2019

	<b>Cash Balances 7/1/2018</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balances 6/30/2019</b>
Class of:				
2019	\$ 4,623	\$ 13,393	\$ 17,953	\$ 63
2020	1,331	6,129	3,960	3,500
2021	843	2,570	1,620	1,793
2022	-	228	4	224
MS Band	372	3,093	2,912	553
MS Student Council	1,583	406	169	1,820
MS 8th Grade Trip	3,220	12,960	12,392	3,788
MS Yearbook	137	2,153	2,042	248
5th Grade Trip	6,358	73,519	75,064	4,813
5th Grade Band	64	-	64	-
Basketball Cheerleaders	4	-	-	4
Book Club	-	339	226	113
Varsity Club	3,392	308	462	3,238
HS Chorus	267	972	1,189	50
FCCLA	252	106	200	158
FBLA	1,014	4,412	4,006	1,420
FFA	9,973	45,983	43,616	12,340
Football Cheerleaders	2,135	-	37	2,098
Freelancers	506	-	230	276
GAA	2,131	1,786	787	3,130
HS Band	600	64,022	62,456	2,166
HS Student Council	126	1,603	980	749
SAVE	228	150	97	281
TALON	700	6,970	5,860	1,810
Spanish Club	86	-	2	84
Sales Tax	728	-	143	585
<b>Total</b>	<u>\$ 40,673</u>	<u>\$ 241,102</u>	<u>\$ 236,471</u>	<u>\$ 45,304</u>

See note to the financial statement.

**SOUTH LEWIS CENTRAL SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT**  
June 30, 2019

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The Extra Classroom Activity Funds of South Lewis Central School District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of South Lewis Central School District are maintained on a cash basis and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.

## FORM OF OPINION OF BOND COUNSEL

March 17, 2020

South Lewis Central School District  
4264 Co. Rd. 43  
P.O. Box 10  
Turin, New York 13473

Re: South Lewis Central School District  
\$15,000,000 Bond Anticipation Notes, 2020

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$15,000,000 Bond Anticipation Notes, 2020 (the "Notes"), of the South Lewis Central School District, Lewis County, State of New York (the "District"). The Notes are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, Resolution of the District and a Certificate of Determination dated on or before March 17, 2020 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

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

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

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

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

Very truly yours,

Trespasz & Marquardt, LLP