PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Trespasz & Marquardt, LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance 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 alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. See "TAX MATTERS" herein.

The Notes will be "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

$8,575,000

SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT

JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK

GENERAL OBLIGATIONS

$8,575,000 Bond Anticipation Notes, 2019

(the "Notes")

Dated: July 9, 2019 **Due: July 9, 2020**

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

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

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), or about July 9, 2019.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on June 27, 2019 by no later than 10:30 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via 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 for the Notes.

June 12, 2019

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX C – MATERIAL EVENT NOTICES" HEREIN.

SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT
JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK

2018-2019 BOARD OF EDUCATION

TODD DACK
President

PAMELA THOMAS
Vice President

KELLY DAVIS
ERIN GARDNER
JAMES JUCZAK
RANDY JEROME
JUSTIN VANCOUGHNETT

* * * * * * * *

ADMINISTRATION

MARY BETH DENNY
Superintendent of Schools

CORA HARVEY
School Business Administrator

MICHELLE L. JAQUES
School District Clerk

FERRARA FIORENZA PC
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

TRESPASZ & MARQUARDT, LLP
BOND COUNSEL

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

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
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OFFICIAL STATEMENT

of the

SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT
JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK

Relating To

$8,575,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page, has been prepared by the South Jefferson Central School District, Jefferson, Lewis and Oswego Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of $8,575,000 principal amount of Bond Anticipation Notes, 2019 (the "Notes").

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

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

NATURE OF OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

THE NOTES

Description of the Notes

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

The Notes are dated July 9, 2019 and mature, without option of prior redemption, on July 9, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in denominations of $5,000 each or multiples thereof in either (i) registered in the name of the purchaser, in certificated form with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) as registered book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

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 January 10, 2018 authorizing a capital project in the amount of $8,575,000 and the issuance of serial bonds or notes for various improvements and reconstruction of District buildings and facilities.

The proceeds of the Notes will renew $3,000,000 bond anticipation notes maturing July 10, 2019 and provide $5,575,000 new money for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company.

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

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

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

Certificated Notes

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

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District is located in upstate New York and is situated principally in the County of Jefferson, with small sections located to the east in the County of Lewis and to the south in the County of Oswego. The City of Watertown is approximately 10 miles to the north, the City of Oswego approximately 30 miles southwest and the City of Syracuse 45 miles to the south.

The District encompasses a land area of approximately 221 square miles.

Major highways of service to the School District include Interstate route #81, New York State routes #11, #177 and #178. The Penn Central Railroad, several motor freight lines and the Watertown Municipal Airport also service transportation for the District.

The District is residential and agricultural in nature. Commercial services to the residents are located in the Villages of Adams and Mannsville, as well as in and around Watertown.

Source: District officials.

Population

The current estimated population of the District is 11,038. (Source: 2017 U.S. Census Bureau estimate)

Five Largest Employers

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

Name of Employer	Nature of Business	# Employed
Samaritan Medical	Hospital	800
City of Watertown School District	School District	750
Fuccillo	Car Dealer	210
Great Lakes	Cheese	130
Porterdale	Farms	120

Source: District officials.

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Selected Wealth and Income Indicators

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

	Per Capita Income			Median Family Income		
	2000	2006-2010	2013-2017	2000	2006-2010	2013-2017
Towns of:						
Adams	$ 17,707	$ 24,398	$ 24,873	$ 48,354	$ 61,154	$ 72,596
Ellisburg	17,102	19,239	31,121	40,903	45,000	68,156
Hounsfield	19,806	28,733	28,131	47,742	71,827	67,039
Lorraine	14,471	19,117	21,978	40,417	44,750	52,750
Rodman	15,453	29,742	26,876	43,750	72,411	71,875
Rutland	14,919	22,677	24,180	38,906	57,679	63,472
Watertown	21,786	25,159	32,822	46,563	75,481	90,650
Worth	12,584	21,260	26,181	31,250	60,000	71,250
Boylston	17,360	18,536	24,601	44,792	42,188	64,688
Pinckney	13,733	17,562	19,020	35,417	53,409	36,141
Counties of:						
Jefferson	16,202	21,823	24,717	39,296	51,834	59,488
Lewis	14,971	20,970	25,779	39,287	49,554	61,780
Oswego	16,853	21,604	25,791	43,821	56,364	62,176
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 District as such. The smallest areas for which such statistics are available (which includes the District) are the Counties of Jefferson, Lewis and Oswego. The information set forth below with respect to the Counties and the State of New York included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Counties or State are necessarily representative of the District, or vice versa.

	Annual Average								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jefferson County	9.3%	9.8%	9.9%	9.2%	7.6%	6.6%	6.2%	6.6%	5.6%
Lewis County	9.1%	9.7%	10.0%	9.5%	7.8%	6.9%	6.7%	6.6%	5.5%
Oswego County	10.6%	10.8%	11.0%	9.9%	8.1%	7.2%	6.5%	6.5%	5.5%
New York State	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%	4.1%

	2019 Monthly Figures					
	Jan	Feb	Mar	Apr	May	Jun
Jefferson County	6.7%	6.6%	6.3%	5.3%	N/A	N/A
Lewis County	7.0%	7.1%	7.2%	5.8%	N/A	N/A
Oswego County	6.5%	6.2%	5.7%	4.8%	N/A	N/A
New York State	4.6%	4.4%	4.1%	3.6%	N/A	N/A

Note: Unemployment rates for May and June 2019 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

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

Budgetary Procedures

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

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "School District Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

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

Recent Budget Vote Results

The budget for the 2017-18 fiscal year was approved by the qualified voters on May 16, 2017 with a vote of 746 to 122. The District's budget for 2017-18 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The tax increase was 1.34%, which is below the limit.

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 with a vote of 213 to 54. The District's budget for 2018-19 remains within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The tax increase is 2.53%, which is below the limit.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 with a vote of 221 to 41. The District's budget for 2019-20 will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The tax increase is 3.25%, which is below the limit of 3.29%.

Investment Policy

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

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

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 75.89% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

Potential reductions in Federal aid received by the State.

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

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

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

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

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

Building aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 87.3% 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 2016-2017 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District is not a part of the Community Schools Grant Initiative (CSGI).

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 $11,661,395. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

School district fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased State aid to education by $1.1 billion, including a $700 million increase in Foundation Aid, bringing the total amount of State aid to education to $25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-2018 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State's 2018-2019 Enacted Budget included nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately $859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at $26.03 billion statewide, a 3.4% increase over the prior year. The State's 2018-19 Enacted Budget included an increase of $618 million in Foundation Aid for school districts. Foundation Aid totaled nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State's 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. $50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State's 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-2019. The State 2018-2019 Enacted Budget continued to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

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

State Aid Litigation

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

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

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

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

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State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted new figures comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2013-2014	$ 28,201,961	$ 20,596,104	73.03%
2014-2015	29,249,008	21,453,214	73.35
2015-2016	29,796,255	21,890,933	73.47
2016-2017	29,796,255	21,890,833	73.47
2017-2018	31,675,975	23,606,366	74.52
2018-2019 (Budgeted)	32,236,615	24,330,115	75.47
2019-2020 (Budgeted)	33,805,280	25,655,780	75.89

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. This table is not audited.

School Facilities

Name	Grades	Capacity	Year(s) Built/Additions
South Jefferson Central School	K-12	2,000	1960, '65, '75, '99

Source: District officials.

Enrollment Trends

School Year	Enrollment	School Year	Projected Enrollment
2014-15	2,015	2019-20	1,900
2015-16	1,883	2020-21	1,900
2016-17	1,899	2021-22	1,900
2017-18	1,941	2022-23	1,900
2018-19	1,887	2023-24	1,900

Note: The School District's enrollment is slightly impacted by Fort Drum, however, the number of students does not have a drastic impact on overall enrollment figures. This is evidenced by the relatively small amount of Federal Impact Aid the District receives.

Source: District officials.

Employees

The School District employs a total of approximately 355 full and part-time employees. Employees are represented by various unions as follows:

Employees Represented	Union Representation	Contract Expiration Date
155	South Jefferson Teachers' Association	June 30, 2019 (1)
180	School Support Staff	June 30, 2019 (1)

(1) Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2018-2019 and 2019-2020 fiscal years are as follows:

Fiscal Year	ERS	TRS
2013-2014	$ 679,861	$ 1,320,717
2014-2015	572,493	1,801,633
2015-2016	622,921	1,949,624
2016-2017	658,948	1,492,183
2017-2018	610,736	1,337,445
2018-2019 (Budgeted)	590,202	1,149,978
2019-2020 (Budgeted)	637,304	1,366,379

Source: District records.

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually.

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:

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

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

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

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

The District is amortizing pension payments for the New York State Local Retirement System for ten years for the years 2011 through 2016. The District does not plan to amortize these costs 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 Employee Benefits

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

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

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

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

Summary of Changes from the Last Valuation. The District contracted with BPAS Services, an actuarial firm, to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018. As a result of adoption of GASB 75, net position at the beginning of the year has been restated. Beginning OPEB liability was increased by $49,076,592 and net position was decreased by $49,076,592.

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

Balance at June 30, 2017:	$ 82,452,619
Changes for the year:	
Service cost	2,763,397
Interest	2,455,885
Differences between expected and actual experience	0
Changes of benefit terms	0
Changes in assumptions	(8,180,446)
Benefit payments	(2,220,712)
Net Changes	(5,181,876)
Balance at June 30, 2018:	$ 77,270,743

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

GASB 45. Prior to GASB 75, GASB Statement No. 45 ("GASB 45"), required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covered accounting for pensions, GASB 45 did not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

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

Annual OPEB Cost and Net OPEB Obligation:	***2016***	***2017***
Annual required contribution (ARC)	$ 6,738,376	$ 6,355,328
Interest on net OPEB obligation	934,019	1,100,352
Adjustment to ARC	(1,350,361)	(1,590,836)
Annual OPEB cost (expense)	6,322,034	5,864,844
Contributions made	(2,163,721)	(2,218,325)
Increase in net OPEB obligation	4,158,313	3,646,519
Net OPEB obligation - beginning of year	23,350,483	27,508,796
Net OPEB obligation - end of year	$ 27,508,796	$ 31,155,315
Percentage of annual OPEB cost contributed	34.22%	37.82%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 75,016,460	$ 70,188.945
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 75,016,460	$ 75,016,460
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 5,864,844	37.82%	$ 23,350,483
2016	6,322,034	34.22	27,508,796
2015	6,126,578	34.75	23,350,483

Source: Audited financial statements of the District. Note: The above tables are not audited.

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and is attached hereto as "APPENDIX – D". 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 issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on June 2, 2017. The purpose of the audit was to examine the internal controls over District-provided community services for the period July 1, 2014 through May 9, 2016.

Key Findings:

- The backpack Program's fund did not reimburse the school lunch fund for a minimum of $4,640 spent on Program expenditures.
- Although the Board adopted a transportation and use of building policy, its intentions for fees to be charged for using District property were not clearly outlined.
- The District's cost per mile for its buses was $4.59 but District officials charged most non-District users $2.85 per mile, a difference of $1.74 per mile.

Key Recommendations:

- Ensure the Program's fund reimburses the District for all Program expenditures paid from other funds.
- Establish clear guidelines to reflect the Board's position on free transportation services.
- Revise the transportation policy periodically to include updated reimbursement rates that cover the District's costs and periodically update the District's cost per mile reimbursement rate analysis.

The District provided a complete response to the State Comptroller's office on April 11, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

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

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

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

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Adams	$ 270,962,193	$ 284,460,650	$ 287,516,374	$ 288,691,699	$ 291,853,822
Ellisburg	87,489,679	88,902,300	91,093,057	91,756,719	93,443,939
Hounsfiled	4,330,268	4,339,830	4,373,461	4,491,706	4,446,342
Lorraine	56,093,490	57,065,803	57,149,985	64,662,567	65,298,508
Rodman	70,189,377	71,677,866	72,342,536	82,470,887	84,137,824
Rutland	3,396,165	3,300,253	3,214,600	3,220,050	3,364,393
Watertown	69,479,951	69,670,000	70,393,864	70,888,314	71,580,622
Worth	29,872,569	29,431,729	29,804,584	30,415,917	29,962,087
Boylston	926,500	913,500	913,500	913,500	913,500
Pinckney	399,327	398,863	398,619	398,669	400,114
Total Assessed Values	$ 593,139,519	$ 610,160,794	$ 617,200,580	$ 637,910,028	$ 645,401,151

State Equalization Rates

Towns of:					
Adams	100.00%	100.00%	100.00%	100.00%	100.00%
Ellisburg	100.00%	100.00%	100.00%	100.00%	100.00%
Hounsfiled	100.00%	100.00%	100.00%	96.00%	91.00%
Lorraine	100.00%	99.00%	92.50%	100.00%	100.00%
Rodman	100.00%	99.00%	92.50%	100.00%	100.00%
Rutland	62.00%	62.00%	61.00%	61.00%	61.00%
Watertown	65.00%	65.00%	63.50%	65.00%	64.00%
Worth	100.00%	100.00%	91.50%	88.00%	87.00%
Boylston	100.00%	99.00%	95.00%	95.00%	96.00%
Pinckney	100.00%	100.00%	93.00%	100.00%	95.00%
Total Taxable Full Valuation	$ 632,633,321	$ 651,007,813	$ 673,064,639	$ 682,522,238	$ 692,792,219

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Adams	$ 10.98	$ 11.06	$ 10.91	$ 10.90	$ 11.01
Ellisburg	10.98	11.06	10.91	10.90	11.01
Hounsfiled	10.98	11.06	10.91	11.36	12.10
Lorraine	10.98	11.17	11.79	10.90	11.01
Rodman	10.98	11.17	11.79	10.90	11.01
Rutland	17.71	17.84	17.88	17.88	18.05
Watertown	16.90	17.01	17.18	16.77	17.21
Worth	10.98	11.06	11.92	12.39	12.66
Boylston	10.98	11.17	11.48	11.48	11.47
Pinckney	10.98	11.06	11.73	10.90	11.59

Tax Collection Procedure

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

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 6,948,031	$ 7,198,160	$ 7,343,394	$ 7,441,625	$ 7,630,000
Amount Uncollected (1)	486,897	460,996	435,598	460,094	454,663
% Uncollected	7.01%	6.40%	5.93%	6.18%	5.96%

(1) See "Tax Collection Procedure" herein.

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Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted figures comprised of Real Property Taxes.

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-2014	$ 28,201,961	$ 6,816,204	24.17%
2014-2015	29,249,008	7,004,658	23.95
2015-2016	29,066,609	7,254,258	24.35
2016-2017	30,909,638	7,399,193	23.94
2017-2018	31,675,975	7,497,789	23.67
2018-2019 (Budgeted)	32,236,615	7,683,500	23.83
2019-2020 (Budgeted)	33,805,280	7,931,500	23.46

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. This table is not audited.

Larger Taxpayers 2018 for 2018-2019 Tax Roll

Name	Type	Taxable Assessed Valuation
National Grid	Utility	$ 23,218,073
New York State DEC	Government	11,786,900
Porterdale Farms, Inc.	Farm	5,047,000
CSX Transportation, Inc.	Railroad	3,760,001
Alford Timothy C	Private	3,292,200
Morgan Adams LLC	Commercial	3,011,000
Citizens Telecom UCI NY, Inc.	Utility	2,922,122
Salmon River Timberlands LLC	Commercial	2,779,300
Jefferson County	Government	2,525.300
Fuccillo, William B	Commercial	2,261,300

The ten larger taxpayers listed above have a total taxable assessed valuation of $60,603,196, which represents 9.39% of the tax base of the District.

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

Source: District Tax Rolls.

STAR – School Tax Exemption

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

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, 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 $500,000 are eligible for a "basic" exemption on their primary residence.

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

Towns of:	Enhanced Exemption	Basic Exemption	Date Certified
Adams	$ 68,700	$ 30,000	4/9/2019
Ellisburg	68,700	30,000	4/9/2019
Hounsfield	62,520	27,300	4/9/2019
Lorraine	68,700	30,000	4/9/2019
Rodman	68,700	30,000	4/9/2019
Rutland	41,910	18,300	4/9/2019
Watertown	43,970	19,200	4/9/2019
Worth	59,770	26,100	4/9/2019
Boylston	65,950	28,800	4/9/2019
Pinckney	65,270	28,500	4/9/2019

$1,061,215 of the District's $7,630,000 school tax levy for 2018-19 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2019.

Approximately $1,095,708 of the District's $7,878,000 school tax levy for 2019-20 is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2020.

Additional Tax Information

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

Senior citizen exemptions are offered to those who qualify.

Total assessed valuation of the School District is estimated to be categorized as follows: Residential-40%, Agricultural-20%, Commercial-10% and Industrial-30%.

The estimated total annual property tax bill of a $75,000 market value residential property located in the School District is approximately $1,670 including State, County, Town, School District and Fire District Taxes.

TAX LEVY LIMITATION LAW

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

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

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless extended. 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 or 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.

<u>Real Property Tax Rebate</u>**.** 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 District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

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

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

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

Statutory Procedure

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

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. No down payment is required in connection with the issuance of District obligations.

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

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

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

(2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,

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

The District has complied with this estoppel procedure in connection with the Notes.

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
Bonds	$ 23,595,000	$ 26,045,000	$ 23,430,000	$ 22,085,000	$ 19,270,000
Bond Anticipation Notes	5,828,900	976,019	2,516,638	1,265,032	1,570,896
Revenue Anticipation Notes	0	0	0	0	0
Total Debt Outstanding	$ 29,423,900	$ 27,021,019	$ 25,946,638	$ 23,350,032	$ 20,840,896

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 12, 2019.

Type of Indebtedness	Maturity	Amount
Bonds	2019-2032	$ 18,085,000
Bond Anticipation Notes		
Capital Project	July 10, 2019	3,000,000 [1]
Purchase of School Buses	February 16, 2019	1,861,360 [2]
	Total Indebtedness	$ 22,946,360

[1] To be renewed with the proceeds of the Notes.
[2] Expected to be partially redeemed and renewed at maturity with bond anticipation notes and available funds of the District.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 12, 2019:

Full Valuation of Taxable Real Property			$ 692,792,219
Debt Limit 10% thereof			69,279,222
Inclusions:			
Bonds	$ 18,085,000		
Bond Anticipation Notes	1,861,360		
Principal of this Issue	8,575,000		
Total Inclusions		$ 28,521,360	
Exclusions:			
State Building Aid [1]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 28,521,360
Net Debt-Contracting Margin			$ 40,757,862
The percent of debt contracting power exhausted is			41.17%

(1) Based on preliminary 2019-2020 building aid estimates, the District anticipates State Building aid of 87.3% 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 in "APPENDIX – B" to this Official Statement.

Capital Project Plans

The District typically borrows bond anticipation notes for buses in the winter. On May 15, 2018 the District voters authorized $765,000 for the purchase of buses. The District issued bond anticipation notes along with $474,536 available funds of the District to partially redeem and renew $1,570,896 bond anticipation notes maturing February 15, 2019 and provide $765,000 new money for the purchase of school buses. On May 21, 2019 the District voters approved $775,000 for the purchase of school buses. The District plans to issue bond anticipation notes in February 2020 for the purchase of the buses.

On May 16, 2017, District voters approved a $8.575 million capital project which includes infrastructure renovations and upgrades at each of the District buildings, as well as, the resurfacing of the Bill Arthur Track at Wilson and the construction of a new turf field stadium at Clarke. The District issued $3,000,000 bond anticipation notes on February 14, 2019 as the first borrowing for this project. The Notes are being issued to renew the bond anticipation notes maturing July 10, 2019 in full and provide $5,575,000 in new money for this project.

There are currently no other capital projects authorized or contemplated at this time by the School District.

Cash Flow Borrowings

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

Estimated Overlapping Indebtedness

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

Municipality	Status of Debt as of	Gross Indebtedness [1]	Exclusions [2]	Net Indebtedness	District Share	Applicable Indebtedness
County of:						
Jefferson	12/31/2016	$ 17,030,000	$ -	$ 17,030,000	8.34%	$ 1,420,302
Lewis	12/31/2016	10,094,735	-	10,094,735	0.02%	2,019
Oswego	12/31/2016	11,643,491	1,393,491	10,250,000	0.01%	1,025
Town of:						
Adams	12/31/2016	1,232,100	343,400	888,700	95.92%	852,441
Ellisburg	12/31/2016	2,282,041	2,282,041	-	32.45%	-
Hounsfield	12/31/2015	6,216,954	6,216,954	-	1.26%	-
Lorraine	12/31/2016	118,200	-	118,200	100.00%	118,200
Rodman	12/31/2016	-	-	-	100.00%	-
Rutland	12/31/2016	6,162,397	1,407,083	4,755,314	2.74%	130,296
Watertown	12/31/2016	7,565,000	3,170,000	4,395,000	21.42%	941,409
Worth	12/31/2016	-	-	-	100.00%	-
Boylston	12/31/2016	-	-	-	2.19%	-
Pinckney	12/31/2016	-	-	-	1.13%	-
Village of:						
Adams	5/31/2017	5,544,000	4,560,000	984,000	100.00%	984,000
Mannsville	5/31/2017	1,132,267	1,132,267	-	100.00%	-
					Total:	$ 4,449,692

[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.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2016 for the counties and towns listed above and in 2017 for the villages listed above.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 12, 2019:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 28,521,360	$ 2,583.92	4.12%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	32,971,052	2,987.05	4.76

[a] The current estimated population of the District is 11,038. (See "THE SCHOOL DISTRICT – Population" herein.)
[b] The District's full value of taxable real estate for the 2019-20 fiscal year is $692,792,219. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
[c] See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.
[d] Estimated net overlapping indebtedness is $4,449,692. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

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

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

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

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

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

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

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

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

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

MARKET AND RISK FACTORS

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

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

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

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.

TAX MATTERS

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

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

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

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

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

LEGAL MATTERS

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

LITIGATION

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

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

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into an Undertaking to provide Material Event Notices, the form of which is attached hereto as "APPENDIX – C".

Historical Compliance

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

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the 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.

CUSIP IDENTIFICATION NUMBERS

If the Notes are issued in book-entry-only format, 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.

RATING

The Notes are <u>not</u> rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s) pending the approval of the District, 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", attached hereto).

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 any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

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

MISCELLANEOUS

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

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

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

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

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

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

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

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

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

The District's contact information is as follows: Cora Harvey, Business Manager, South Jefferson Central School District, P.O. Box 10, Adams, New York 13605, telephone (315) 583-6104, fax (315) 583-6104, Email: charvey@spartanpride.org.

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

SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT

Dated: June 12, 2019

TODD DACK
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Unrestricted Cash	$ 1,492,275	$ 2,639,090	$ 2,255,262	$ 2,176,012	$ 2,758,197
Restricted Cash	26,560	28,720	60,671	64,218	74,765
Accounts Receivable	28,032	3,932	9,087	3,468	5,222
Due from Other Funds	669,729	600,629	616,269	674,916	1,048,444
State and Federal Aid Receivable	993,648	1,054,794	916,242	1,473,912	1,059,712
Other Receivables	-	24,090	2,992	-	-
Prepaid Expenditures	28,568	28,975	152,558	30,442	31,203
TOTAL ASSETS	$ 3,238,812	$ 4,380,230	$ 4,013,081	$ 4,422,968	$ 4,977,543
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 79,802	$ 403,288	$ 72,650	$ 63,902	$ 110,738
Accrued Liabilities	116,536	194,467	216,004	200,663	200,016
Due to Other Funds	-	-	99,992	3,547	40,467
Due to Other Governments	67,313	67,313	67,313	67,313	67,313
Due to Teachers' Retirement System	71,893	77,769	74,400	71,500	62,308
Due to Employee's Retirement System	-	-	6,479	90	-
Compensated Absences	-	17,447	-	-	-
Deferred Revenue	3,140	-	-	-	6,700
TOTAL LIABILITIES	$ 338,684	$ 760,284	$ 536,838	$ 407,015	$ 487,542
FUND EQUITY					
Nonspendable	$ -	$ -	$ 152,558	$ 30,442	$ 31,203
Restricted	60,671	60,671	60,671	60,671	60,671
Assigned	1,692,718	1,376,463	2,250,959	2,069,645	2,186,676
Unassigned	1,146,739	2,182,812	1,012,055	1,855,195	2,211,451
TOTAL FUND EQUITY	$ 2,900,128	$ 3,619,946	$ 3,476,243	$ 4,015,953	$ 4,490,001
TOTAL LIABILITIES & FUND EQUITY	$ 3,238,812	$ 4,380,230	$ 4,013,081	$ 4,422,968	$ 4,977,543

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	**2013**	**2014**	**2015**	**2016**	**2017**
REVENUES					
Real Property Taxes	$ 5,462,473	$ 5,623,617	$ 5,813,174	$ 6,051,555	$ 6,222,179
Real Property Tax Items	1,191,720	1,192,587	1,191,484	1,202,703	1,177,014
Charges for Services	139,221	160,554	140,349	171,054	160,465
Use of Money & Property	5,069	2,796	5,674	1,991	2,722
Sale of Property and Compensation for Loss	35,375	21,139	36,052	26,024	981
Miscellaneous	623,158	379,832	331,994	342,980	274,446
Interfund Revenues	-	206,007	-	-	-
Revenues from State Sources	19,752,349	20,596,104	21,453,214	21,890,833	22,945,205
Revenues from Federal Sources	70,628	19,325	94,668	109,115	126,626
Total Revenues	$ 27,279,993	$ 28,201,961	$ 29,066,609	$ 29,796,255	$ 30,909,638
Other Sources:					
Interfund Transfers	-	-	182,399	-	-
Total Revenues and Other Sources	$ 27,279,993	$ 28,201,961	$ 29,249,008	$ 29,796,255	$ 30,909,638
EXPENDITURES					
General Support	$ 2,484,740	$ 2,776,141	$ 2,667,590	$ 2,715,442	$ 2,575,663
Instruction	13,186,521	13,539,403	13,617,233	14,052,965	14,498,632
Pupil Transportation	1,734,608	1,770,375	1,730,180	1,745,013	1,663,419
Community Services	-	-	-	-	-
Employee Benefits	6,659,437	6,794,635	7,260,121	7,711,988	7,480,508
Debt Service	470,248	432,729	433,681	436,358	119,864
Total Expenditures	$ 24,535,554	$ 25,313,283	$ 25,708,805	$ 26,661,766	$ 26,338,086
Other Uses:					
Interfund Transfers	2,827,194	2,853,331	2,820,385	3,278,192	4,031,842
Total Expenditures and Other Uses	27,362,748	28,166,614	28,529,190	29,939,958	30,369,928
Excess (Deficit) Revenues Over Expenditures	(82,755)	35,347	719,818	(143,703)	539,710
FUND BALANCE					
Fund Balance - Beginning of Year	2,935,194	2,864,791	2,900,128	3,619,946	3,476,243
Prior Period Adjustments (net)	12,352	-	-	-	-
Fund Balance - End of Year	$ 2,864,791	$ 2,900,128	$ 3,619,946	$ 3,476,243	$ 4,015,953

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 Year Ending June 30:	2018 Original Budget	2018 Final Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes	$ 7,441,625	$ 7,441,625	$ 6,345,091	$ 7,630,000	$ 7,878,000
Real Property Tax Items	49,500	49,500	1,152,698	53,500	53,500
Charges for Services	29,000	85,576	153,322	189,000	184,000
Use of Money & Property	2,500	2,500	4,684	2,500	2,500
Sale of Property and Compensation for Loss	-	-	18,480	-	-
Miscellaneous	161,500	176,500	296,014	31,500	31,500
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	23,598,673	23,598,673	23,699,055	24,330,115	25,655,780
Revenues from Federal Sources	-	-	6,631	-	-
Total Revenues	$ 31,282,798	$ 31,354,374	$ 31,675,975	$ 32,236,615	$ 33,805,280
Other Sources:					
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	$ 31,282,798	$ 31,354,374	$ 31,675,975	$ 32,236,615	$ 33,805,280
EXPENDITURES					
General Support	$ 3,555,959	$ 3,545,017	$ 2,893,054	$ 3,555,003	$ 4,391,314
Instruction	15,443,689	15,503,299	14,908,425	16,063,791	16,185,889
Pupil Transportation	2,024,216	2,051,216	1,675,503	2,050,199	2,000,672
Community Services	-	-	-	-	-
Employee Benefits	8,161,990	8,183,972	7,620,983	8,564,265	9,227,230
Debt Service	501,034	501,034	500,481	612,660	722,196
Total Expenditures	$ 29,686,888	$ 29,784,538	$ 27,598,446	$ 30,845,918	$ 32,527,301
Other Uses:					
Interfund Transfers	3,639,481	3,639,481	3,603,481	3,534,268	3,543,419
Total Expenditures and Other Uses	33,326,369	33,424,019	31,201,927	34,380,186	36,070,720
Excess (Deficit) Revenues Over Expenditures	(2,043,571)	(2,069,645)	474,048	(2,143,571)	(2,265,440)
FUND BALANCE					
Fund Balance - Beginning of Year	2,043,571	2,069,645	4,015,953	2,143,571	2,265,440
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 4,490,001	$ -	$ -

Source: 2018 Audited financial report and 2019 adopted budget of the School District. This Appendix is not itself audited.

Fiscal Year Ending June 30th		Principal		Interest		Total
2019	$	2,765,000	$	601,168.76	$	3,366,168.76
2020		2,865,000		510,318.76		3,375,318.76
2021		2,960,000		415,518.76		3,375,518.76
2022		3,045,000		333,306.26		3,378,306.26
2023		3,145,000		226,106.26		3,371,106.26
2024		1,800,000		114,956.26		1,914,956.26
2025		1,850,000		70,806.26		1,920,806.26
2026		125,000		20,156.26		145,156.26
2027		130,000		17,431.26		147,431.26
2028		135,000		14,531.26		149,531.26
2029		135,000		11,531.26		146,531.26
2030		135,000		8,493.76		143,493.76
2031		145,000		5,156.26		150,156.26
2032		35,000		1,225.00		36,225.00
TOTALS	$	19,270,000	$	2,350,706.38	$	21,620,706.38

CURRENT DEBT OUTSTANDING

Fiscal Year Ending June 30th	2012 Refunding of 2004 Serial Bonds Principal	Interest	Total	2014 Various Capital Improvements Principal	Interest	Total
2019	$ 1,185,000	$ 315,056.26	$ 1,500,056.26	$ 1,060,000	$ 192,618.75	$ 1,252,618.75
2020	1,250,000	255,806.26	1,505,806.26	1,080,000	171,418.75	1,251,418.75
2021	1,310,000	193,306.26	1,503,306.26	1,105,000	149,818.75	1,254,818.75
2022	1,355,000	146,856.26	1,501,856.26	1,130,000	124,956.25	1,254,956.25
2023	1,415,000	79,106.26	1,494,106.26	1,160,000	96,706.25	1,256,706.25
2024	25,000	8,356.26	33,356.26	1,185,000	67,706.25	1,252,706.25
2025	30,000	7,731.26	37,731.26	1,220,000	36,600.00	1,256,600.00
2026	30,000	6,943.76	36,943.76	-	-	-
2027	30,000	6,118.76	36,118.76	-	-	-
2028	30,000	5,218.76	35,218.76	-	-	-
2029	30,000	4,318.76	34,318.76	-	-	-
2030	30,000	3,381.26	33,381.26	-	-	-
2031	35,000	2,406.26	37,406.26	-	-	-
2032	35,000	1,225.00	36,225.00	-	-	-
TOTALS	$ 6,790,000	$ 1,035,831.38	$ 7,825,831.38	$ 7,940,000	$ 839,825.00	$ 8,779,825.00

Fiscal Year Ending June 30th	2015 Various Capital Improvements Principal	Interest	Total	2016 Various Capital Improvements Principal	Interest	Total
2019	$ 440,000	$ 67,881.25	$ 507,881.25	$ 80,000	$ 25,612.50	$ 105,612.50
2020	450,000	59,081.25	509,081.25	85,000	24,012.50	109,012.50
2021	460,000	50,081.25	510,081.25	85,000	22,312.50	107,312.50
2022	470,000	40,881.25	510,881.25	90,000	20,612.50	110,612.50
2023	480,000	31,481.25	511,481.25	90,000	18,812.50	108,812.50
2024	495,000	21,881.25	516,881.25	95,000	17,012.50	112,012.50
2025	505,000	11,362.50	516,362.50	95,000	15,112.50	110,112.50
2026	-	-	-	95,000	13,212.50	108,212.50
2027	-	-	-	100,000	11,312.50	111,312.50
2028	-	-	-	105,000	9,312.50	114,312.50
2029	-	-	-	105,000	7,212.50	112,212.50
2030	-	-	-	105,000	5,112.50	110,112.50
2031	-	-	-	110,000	2,750.00	112,750.00
2032	-	-	-	-	-	-
TOTALS	$ 3,300,000	$ 282,650.00	$ 3,582,650.00	$ 1,240,000	$ 192,400.00	$ 1,432,400.00

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

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

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

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

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

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

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

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

(o) incurrence of a financial obligation of the School 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 bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the School 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 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.

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

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

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

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

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

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SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT
JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2018

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

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STACKEL & NAVARRA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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WATERTOWN, NEW YORK 13601-3336
TELEPHONE 315/782-1220
FAX 315/782-0118

Robert F. Stackel, C.P.A.
Jacob Navarra, C.P.A.
Mark B. Hills, C.P.A.

Board of Education
South Jefferson Central School District
Adams, New York

Independent Auditors' Report

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 Jefferson Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Basis for Modified Opinion on General Fund

As discussed in Note 16 of the financial statements, management has adopted a policy of recording pension expense in the General Fund when paid. Accounting principles generally accepted in the United States of America require that pension expense be recorded in the period when incurred. For the year ended June 30, 2018, General Fund expenses are overstated by $189,790, liabilities are understated by $1,230,707, and fund balance is overstated by $1,230,707.

Modified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Modified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of South Jefferson Central School District, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 other than the General Fund, and the aggregate remaining fund information of South Jefferson Central School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress - other post-employment benefits, the schedule of revenue, expenditures and changes in fund balance – budget (non-GAAP basis) and actual – general fund, the schedules of District contributions – NYSTRS & NYSERS pension plans – last 4 fiscal years, and the schedules of District's proportionate share of the net pension liability – NYSTRS & NYSERS pension plans – last 4 fiscal years on pages 4-15 and 58-61 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 Jefferson 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 project expenditures – capital projects fund and net investment in capital assets 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 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 project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of South Jefferson Central School District's internal control over financial reporting and on out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Jefferson Central School's internal control over financial reporting and compliance.

Stackel + Navarra, CPA, PC

Watertown, NY
October 12, 2018

The following is a discussion and analysis of South Jefferson Central School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the school district's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the school district.

School District Overview and Highlights

The school district is located in the northern tier of the state, approximately 45 miles from the Canadian border and employs approximately 350 full and part time professional and support staff. These employees are organized into three collective bargaining units (teaching staff, support staff, and administration). All agreements are set to expire on June 30, 2019.

The school district has continued to maximize sources of grants and aid from Federal and New York State sources, resulting in an average tax rate of $10.903125 dollars of assessed value over the ten towns and three counties that comprise the district. In general, taxpayers are content with the district; budgets have been adopted with consistent tax levy increases while school events are always a popular attraction.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (MD & A), 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 statements are d*istrict-wide* financial statements that provide both *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 (Supplemental Schedule SS-1) that further explains and supports the financial statements with a comparison of the school district's budget and actual for the year.

The following 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.

Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
→	**District-Wide**	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire district (except fiduciary funds)	The 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, i.e. scholarships programs and student activities' monies
Required Financial Statements	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 Assets 6. Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/ Deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during 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 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

District-Wide Statements

The district-wide statements report information about the school district as a whole using accounting methods similar to those used by private-sector companies. The *statement of net position* includes all of the school district's assets and liabilities. All of the current year's 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. The net position, the difference between the school district's assets and liabilities, is one way to measure the school district's financial health.

- Over time, increases or decreases in the school district's net position can be 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 nonfinancial factors such as changes in the school district's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the Statement of Activities depicts most of the school's basic services. Entitled *Governmental Activities,* they include regular and special education services, pupil transportation, general support, and administration. Property taxes and state and federal 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).

The district has two 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 explains 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 student activities funds. The school district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The school district excludes these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The net position may serve over time as a useful indicator of a government's financial position. In the case of the school district, liabilities exceeded assets by $55,846,440 at the close of the most recent fiscal year, an increase of $48,430,083 over the previous year. The change is largely due to the $44,115,428 increase in the Other Postemployment Benefits Payable (OPEB), a required liability as a result of GASB 75. For fiscal years beginning after June 15, 2017 GASB 75 replaces GASB 45. The valuation methodology of Net OPEB Obligation has been modified to report the entire unfunded liability of OPEB obligations. The impact of GASB 75 is an increase in the District's liability as expenses are recognized faster. GASB 75 is further discussed in the notes to the financial statements.

The largest portion of the school district's net assets reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The school district used capital assets to provide services; consequently, these assets are not available for future spending. Although the school district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedule summarizes the school district's net position. The complete Statement of Net Position can be found in the school district's basic financial statements.

Condensed Statement of Net Position

	2017-2018	2016-2017
ASSETS		
Current and other assets	$ 4,594,426	$ 4,492,873
Capital assets, net	40,470,912	40,993,157
Total Assets	$ 45,065,338	$ 45,486,030
DEFERRED OUTFLOWS OF RESOURCES	$ 10,519,224	$ 6,766,728
LIABILITIES		
Current liabilities	$ 3,324,727	$ 3,262,793
Deferred Revenue	21,908	21,988
Long-term liabilities	97,220,614	55,950,585
Total Liabilities	$ 100,567,249	$ 59,235,366
DEFERRED OUTFLOWS OF RESOURCES	$ 10,863,753	$ 433,749
NET POSITION		
Invested in capital assets net of related debt	$ 19,630,016	$ 17,643,125
Restricted	60,671	64,218
Unrestricted	(75,537,127)	(25,123,700)
Total Net Position	$ (55,846,440)	$ (7,416,357)

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents and state and federal aid receivable. Long-term liabilities increased significantly due to the increase in OPEB obligations as mentioned above.

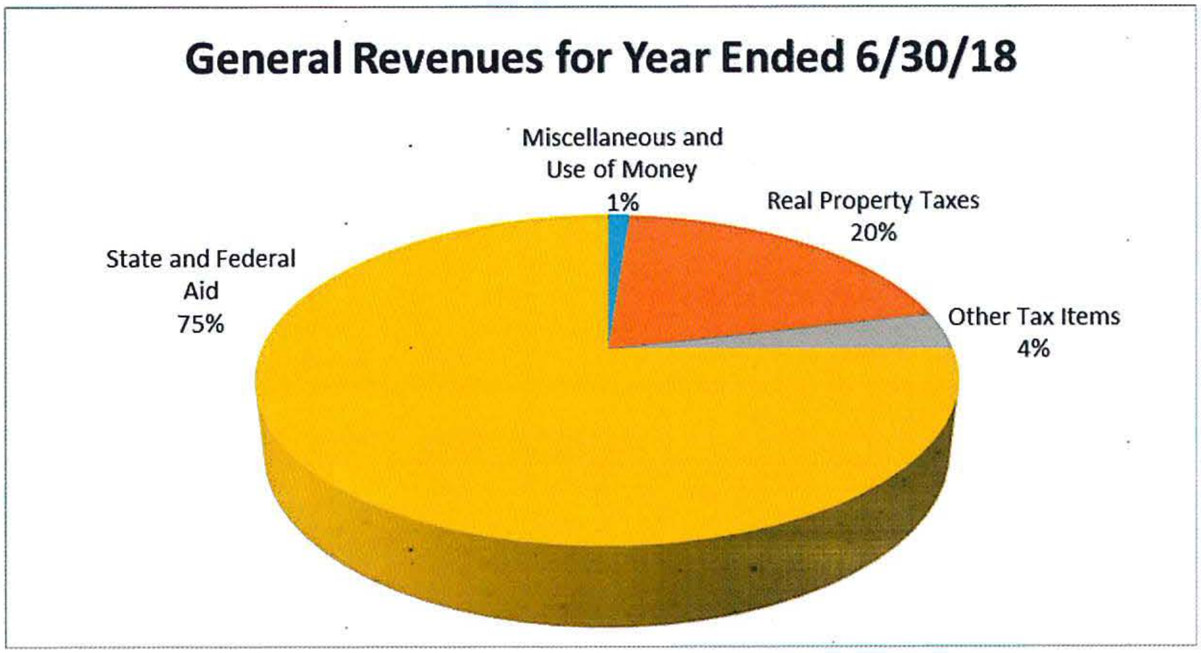
The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the school district's programs.

The following schedule summarizes the school district's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

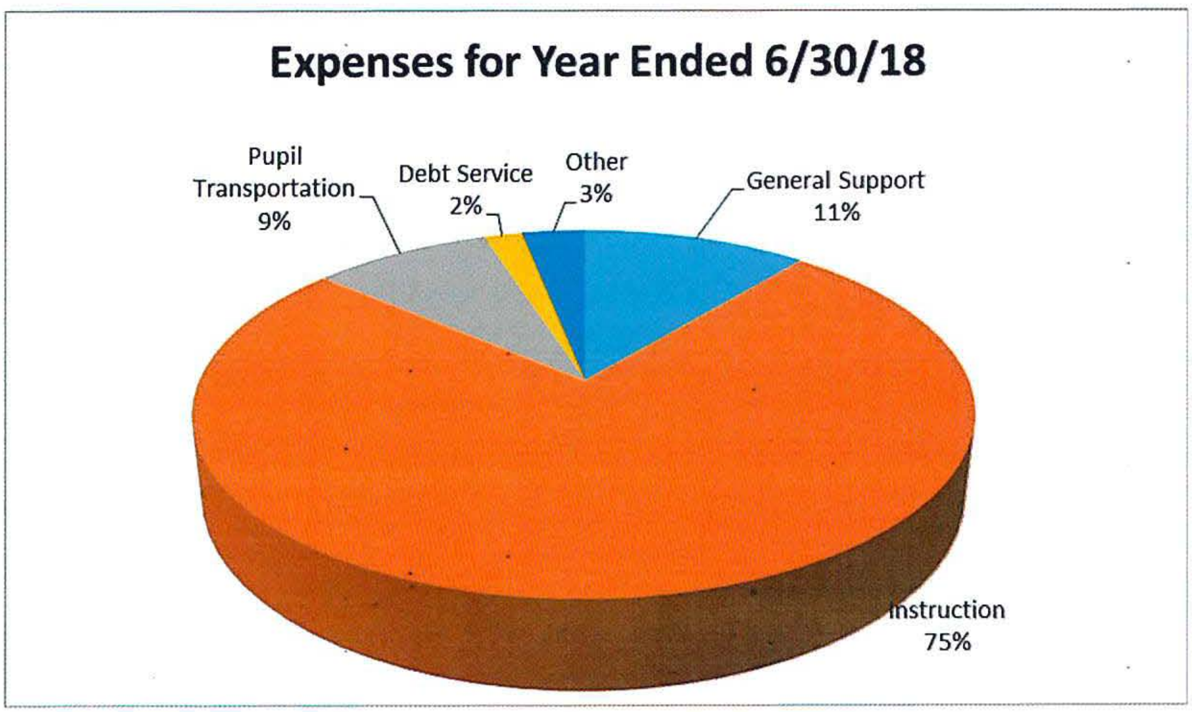
Condensed Statement of Activities

Revenues	**2017-2018**	**2016-2017**
Program Revenues		
Charges for services	$ 404,048	$ 382,030
Operating grants	2,105,136	2,158,138
General Revenues		
Property and other tax items	7,497,789	7,399,193
Use of money and property	15,231	6,267
Sale of property and compensation for loss	18,480	981
Federal sources	6,631	126,626
State sources	23,509,313	22,705,515
Other	337,566	293,960
Total Revenues	**$ 33,894,194**	**$ 33,072,710**
Expenses		
General Support	3,945,237	3,587,288
Instruction	26,657,238	25,998,845
Pupil Transportation	3,113,793	3,085,468
Debt Service	666,725	759,606
School Lunch Program - Cost of Food Sales	1,111,997	1,042,343
Total Expenses	**$ 35,494,990**	**$ 34,473,550**
Change in Net Position	**$ (1,600,796)**	**$ (1,400,840)**

The Statement of Activities includes the activity of the Special Aid funds, which are comprised of a number of state and federal grant programs. The school lunch fund, also known as the cafeteria fund, is included here as well. It is designed to be self-supporting, with revenues nearly matching expenditures. For several of the past years revenues have exceeded expenses; however, the 2012-2013 and 2013-2014 school years saw a significant decrease in the fund balance. And in the 2014-2015 school year, the school lunch fund had a negative fund balance. To address this, the school district budgeted and executed a transfer from the general fund to the school lunch fund in 2016-2017. This was done again for the 2017-18 budget. Finally, the statements also include the related debt service funds and the capital projects fund. These are also discussed later.



The school district is heavily dependent on both state and federal aid for its funding. State aid and the federal grants combined account for 75% of total revenues – consistent with prior year.



General Fund Budgetary Highlights

The school district's adjusted budget for the 2017-2018 school year was $33,424,019. Actual expenditures totaled $31,201,927 which includes transfers out and debt service of $4,103,962, for a favorable variance of $2,178,987 (including $43,105 encumbered and carried into the next year as an adjustment to the 2018-2019 budget). The schedule below shows, in general terms, how the actual expenditures are distributed and compared to final budgeted appropriations:

Results vs. Budget (in thousands of dollars)

	Original Budget	Final Budget	Actual	Variance
Revenue:				
Local Sources	$ 7,684	$ 7,756	$ 7,970	$ (214)
State Sources	23,599	23,599	23,700	(101)
Federal Souces	-	-	6	(6)
Total	$ 31,283	$ 31,355	$ 31,676	$ (321)
Expense:				
General Support	$ 3,556	$ 3,545	$ 2,893	$ 652
Instruction	15,444	15,503	14,908	595
Pupil Transportation	2,024	2,051	1,676	375
Community Services	-	-	-	-
Employee Benefits	8,162	8,184	7,621	563
Debt Service	501	501	500	1
Transfers to Other Funds	3,639	3,639	3,603	36
Total	$ 33,326	$ 33,423	$ 31,201	$ 2,222

The school district under-expended its budget by $2,222,092. As is the district's practice and budgetary control and as demonstrated in the financial statements, all functional budget codes were under-expended.

The school district's general fund receives its funding from many sources. The schedule above also depicts the actual revenues relative to the final budgeted revenues.

The district attempts to facilitate a conservative prediction of revenues; district officials show caution when building budgets. Due to the tenuous nature of predicting state aid, the district strategy is to underestimate all revenues; this year the district received more than they budgeted. The net variance was a positive $321,601 for total revenues in the 2017-2018 school year.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Financial position (year to year) – General Fund

The General Fund, fund balance increased to $4,490,001 on June 30, 2018. This was an increase of $474,048. That change in position is as follows:

June 30, 2018	$4,490,001
June 30, 2017	$ 4,015,953
June 30, 2016	$ 3,476,243
June 30, 2015	$ 3,619,946
June 30, 2014	$ 2,900,128

The attempt on the part of the district to keep the size of the fund balance from changing significantly has been reasonably successful: the fund balance has remained relatively stable throughout the previous years, leading up to the 2014-2015 school year. The fund balance increased during the 2014-2015 largely in part to the district using $409,393 of Debt Service Fund money to make debt payments. This strategy was employed to help the district retrieve increased tax revenue in future years, without the need to override the tax cap. The increase in the 2017-18 year reflects the positive variance in revenues coupled with strict fiscal controls on expenditures. This provides the taxpayers with the necessary fiscal reassurances to continue to support the budgets even as tax rates gradually decline.

Capital Projects Fund

The Capital Projects Fund shows a negative fund balance of ($2,142,654). The Capital Projects Fund continues to show a negative fund balance as a result of the issuance of short term bus bond anticipation notes (BAN). The outstanding BAN on buses represents ($1,570,896) of the total fund balance of ($2,142,654) in the Capital Projects Fund.

Because the district uses short term financing to purchase buses (to more closely match state aid streams) and uses short term financing for capital projects, the capital fund will continue to show deficit fund balances.

School Lunch (Cafeteria) Fund

The School Lunch Fund fund balance showed an increase of $38,211, due to the transfer from the general fund and increasing the fund balance as of June 30, 2018, to $66,507.

Expenses in this fund largely reflect food costs and employee wages and fringe benefits. Lower participation and higher operating costs are primarily the result of the Healthy, Hungry Free Kids Act of 2010, which mandated that every child must be offered 5 components within a regulated serving size to meet calorie and fat limitations within grade groups. The added requirements of more fruits and vegetables, and the extended use of whole grain, have led to higher costs and lower participation. While the General Fund covers some of the fringe benefits of the employees that work in that fund, a $32,100 transfer was budgeted from the General Fund to the School Lunch Fund during the 2017-2018 school year. The School Lunch staff offered a variety of meal choices in an effort to improve participation which resulted in a $6,111 surplus before the budgeted transfer. The District's goal is to eventually sustain the School Lunch fund without a transfer from General Fund.

Special Aid Funds

Federal and State grants provide funding for specific purposes ranging from reading improvement to servicing the needs of students with disabilities. The chart below indicates the 2016-2017 and the 2017-2018 revenues and corresponding expenses for each grant that is outlined in the audit report. These grants are included in a schedule of Expenditures of Federal Awards. All federal and state grants require the filing of an original budget, a budget amendment (if necessary), and a final cost report at the end of the project. Final cost reports have been filed and approved by the State Education Department for each grant.

	Purpose	2017-2018	2016-2017
ESSA Title I	Basic Grant	461,141	440,085
ESSA Title I	School Improvement	6,704	0
ESSA Title IIA	Effective Instruction/Teacher Quality	64,229	90,691
IDEA	Handicapped Programs	421,317	426,489
Other Federal Aid and Misc.	Impact Aid and DoDEA achievement at military connected schools	6,631	50,542
	Total Federal Aid	**960,022**	**1,007,807**

CAPITAL ASSET AND DEBT ADMINISTRATION

The financial statements provide a picture of capital assets over time. These include land, buildings, and equipment and furniture. In response to the auditor's management letter from several years ago, the district contracted with the firm of Industrial Appraisal to take a physical inventory of all district assets; a tagging inventory system was also among the services that were contracted. This effort was completed in late Fall, 2006. As a result, the estimated costs of fixed assets acquired prior to 2002 have been adjusted. The original cost of fixed assets has been increased by construction in progress, the purchase of buses, and the acquisition of other fixed assets. Accumulated depreciation has been changed according to the sale of certain buses and the normal depreciation schedule. Readers should note that the valuation is management's best estimate of the values of capital assets and will be adjusted in subsequent reports, if necessary

For more information regarding fixed assets, refer to Note 7 in the notes to financial statements.

Long-Term Debt

In February, 2012, the district refunded its serial bonds first issued during the 2004-2005 school year. Favorable interest rates provided a significant savings; district officials realized a present value savings of $942,270, and a budgetary savings of $1,045,384. As of June 30, 2018 the district has saved a total of $655,365 by refunding its serial bonds.

The table below represents the debt service requirements for all district bonds payable:

Fiscal Year Ended	Principal	Interest	Total
2019	$2,765,000	$601,168	$3,366,168
2020	$2,865,000	$510,319	$3,375,319
2021	$2,960,000	$415,518	$3,375,319
2022	$3,045,000	$333,306	$3,378,306
2023	$3,145,000	$226,106	$3,371,106
5 subsequent years	$4,040,000	$237,882	$4,277,882
4 subsequent years	$450,000	$26,406	$476,406
Totals	$19,270,000	$2,350,705	$21,620,705

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The district's annual audit as of June 30, 2018, indicates that it is in sound financial condition. Management believes this audit confirms and continues that trend.

The difficulty for future budgets for South Jefferson in its rural setting is magnified by the uncertainty of the fiscal condition of New York State, the large and seemingly unfair state aid reductions, and the continuing impact of the new tax cap legislation. District officials continue to comply with the tax cap legislation; voters approved the 2018-2019 budget with an increase in its local levy by 2.53%, which represented the allowable increase under the law without asking for a supermajority vote.

Unfortunately, seemingly unfair State Aid reductions, the continuation of the tax cap legislation, rising pension costs, unpredictable health care costs, and continuing threat of Federal sequestration resting on the non-defense discretionary portion of the federal budget will continue to put pressure on the district's budget. Further, while the general economic outlook for New York State has improved over the years, the upcoming budget year will be a challenge as the State, once again, announced that it is facing a potential four billion dollar deficit before any increases or new programs are considered. What the impact on school aid will be remains to be determined.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM

This report is designed to provide the school district's citizens, taxpayers, customers, investors, and creditors with a general overview of the school district's finances and to demonstrate the school district's accountability for the money it receives. If you have questions about this report or need additional information, contact the following district officials at the address below.

Mary Beth Denny, Superintendent of Schools
South Jefferson Central School District
P.O. Box 10
Adams, New York 13605
Phone: 315-583-6104 Fax: 315-583-6381
Email: mbdenny@spartanpride.org

South Jefferson Central School District
Statement of Net Position
Governmental Activities
June 30, 2018

ASSETS		
Cash		
Unrestricted	$ 2,826,693	
Restricted	74,765	
Accounts receivable	7,686	
State and Federal aid receivable	1,511,932	
Prepaid expenses	31,203	
Inventories	14,450	
Net pension asset - proportionate share	127,697	
Capital assets, net	40,470,912	
Total Assets		$ 45,065,338
Deferred outflows of resources		
Pensions	$ 8,250,524	
OPEB (GASB 75)	2,268,700	
Total deferred outflows of resources		$ 10,519,224
LIABILITIES		
Payables		
Accounts payable	112,616	
Accrued liabilities	275,843	
Unearned revenue	21,908	
Due to fiduciary fund	792	
Due to Teachers' retirement system	1,148,490	
Due to Employees' retirement system	144,525	
Due to other governments	67,811	
Bond anticipation notes payable	1,570,896	
Long-term liabilities		
Due and payable within one year		
Employees' retirement system	90,069	
Serial bonds	2,765,000	
Due and payable after one year		
Employees' retirement system	469,066	
Serial bonds	16,505,000	
Compensated absences payable	124,490	
Net OPEB obligation	77,270,743	
Total Liabilities		$ 100,567,249
Deferred inflows of resources		
Pensions	2,683,307	
OPEB (GASB 75)	8,180,446	
Total deferred inflows of resources		$ 10,863,753
NET POSITION		
Net investment in capital assets	19,630,016	
Restricted	60,671	
Unrestricted (Deficit)	(75,537,127)	
Total Net Position		$ (55,846,440)

See notes to financial statements.

South Jefferson Central School District
Statement of Activities and Changes in Net Position
Governmental Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 3,945,237	$ -	$ -	$ (3,945,237)
Instruction	26,657,238	153,322	1,515,495	(24,988,421)
Pupil transportation	3,113,793	-	-	(3,113,793)
Debt service	666,725	-	-	(666,725)
School lunch program	1,111,997	250,726	589,641	(271,630)
Total Functions and Programs	$ 35,494,990	$ 404,048	$ 2,105,136	(32,985,806)
GENERAL REVENUES				
Real property taxes				6,345,091
Other tax items				1,152,698
Use of money and property				15,231
Sale of property and compensation for loss				18,480
Miscellaneous				337,566
Federal sources				6,631
State sources				23,416,624
Medicaid reimbursement				92,689
Total General Revenues				31,385,010
Change in Net Position				(1,600,796)
Total Net Position - Beginning of year, as restated				(54,245,644)
Total Net Position - End of year				$ (55,846,440)

See notes to financial statements.

South Jefferson Central School District
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 2,758,197	$ -	$ 51,733	$ -	$ 16,763	$ 2,826,693
Restricted	74,765	-	-	-	-	74,765
Receivables						
Accounts receivable	5,222	-	2,464	-	-	7,686
Due from other funds	1,048,444	-	11,960	14,094	-	1,074,498
State and Federal aid	1,059,712	452,220	-	-	-	1,511,932
Inventories	-	-	14,450	-	-	14,450
Prepaid expenses	31,203	-	-	-	-	31,203
Total Assets	$ 4,977,543	$ 452,220	$ 80,607	$ 14,094	$ 16,763	$ 5,541,227
LIABILITIES						
Payables						
Accounts payable	$ 110,738	$ 1,341	$ 90	$ -	$ 447	$ 112,616
Accrued liabilities	200,016	-	2,434	-	-	202,450
Unearned revenue	6,700	4,130	11,078	-	-	21,908
Due to other funds	40,467	446,749	-	-	588,074	1,075,290
Due to other governments	67,313	-	498	-	-	67,811
Due to Teachers' Retirement System	62,308	-	-	-	-	62,308
Due to Employee's Retirement System	-	-	-	-	-	-
Bond anticipation notes payable	-	-	-	-	1,570,896	1,570,896
Total Liabilities	487,542	452,220	14,100	-	2,159,417	3,113,279
FUND BALANCES						
Nonspendable	31,203	-	14,450	-	-	45,653
Restricted	60,671	-	-	14,094	-	74,765
Assigned	2,186,676	-	52,057	-	-	2,238,733
Unassigned	2,211,451	-	-	-	(2,142,654)	68,797
Total Fund Balances	4,490,001	-	66,507	14,094	(2,142,654)	2,427,948
Total Liabilities and Fund Balances	$ 4,977,543	$ 452,220	$ 80,607	$ 14,094	$ 16,763	$ 5,541,227

See notes to financial statements.

South Jefferson Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2018

	Total Governmental Funds	Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Cash	$ 2,901,458	$ -	$ -	$ 2,901,458
Accounts receivable	7,686	-	-	7,686
Due from other funds	1,074,498	-	(1,074,498)	-
State & federal aid receivable	1,511,932	-	-	1,511,932
Prepaid expenses	31,203	-	-	31,203
Inventories	14,450	-	-	14,450
Net pension asset - proportionate share	-	127,697	-	127,697
Land, buildings and equipment (net)	-	40,470,912	-	40,470,912
Total Assets	$ 5,541,227	$ 40,598,609	$ (1,074,498)	$ 45,065,338
Deferred outflows of resources				
Pensions	$ -	$ 8,250,524	$ -	$ 8,250,524
OPEB (GASB 75)	-	2,268,700	-	2,268,700
Total deferred outflows of resources	$ -	$ 10,519,224	$ -	$ 10,519,224
LIABILITIES				
Accounts payable	$ 112,616	$ -	$ -	$ 112,616
Accrued liabilities	202,450	77,147	-	279,597
Deferred revenue	21,908	-	-	21,908
Due to teachers' retirement system	62,308	1,086,182	-	1,148,490
Due to employees' retirement system	-	699,906	-	699,906
Due to other governments	67,811	-	-	67,811
Due to other funds	1,075,290	-	(1,074,498)	792
Bond anticipation notes payable	1,570,896	-	-	1,570,896
Compensated absences payable	-	124,490	-	124,490
Serial bonds payable	-	19,270,000	-	19,270,000
Net OPEB Obligation	-	77,270,743	-	77,270,743
Total Liabilities	$ 3,113,279	$ 98,528,468	$ (1,074,498)	$100,567,249
Deferred inflows of resources				
Pensions	$ -	$ 2,683,307	$ -	$ 2,683,307
OPEB (GASB 75)	-	8,180,446	-	8,180,446
Total deferred inflows of resources	$ -	$ 10,863,753	$ -	$ 10,863,753
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	2,427,948	(58,274,388)	-	(55,846,440)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	$ 5,541,227	$ 51,117,833	$ (1,074,498)	$ 55,584,562

South Jefferson Central School District
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 6,345,091	$ -	$ -	$ -	$ -	$ 6,345,091
Other tax items	1,152,698	-	-	-	-	1,152,698
Charges for services	153,322	-	-	-	-	153,322
Use of money and property	4,684	-	-	10,547	-	15,231
Sale of property and compensation for loss	18,480	-	-	-	-	18,480
Miscellaneous	296,014	41,552	-	-	-	337,566
State sources	23,606,366	372,362	28,831	-	-	24,007,559
Federal sources	6,631	953,391	510,816	-	-	1,470,838
Medicaid reimbursement	92,689	-	-	-	-	92,689
Surplus food	-	-	49,994	-	-	49,994
Sales - school lunch	-	-	250,726	-	-	250,726
Total Revenues	31,675,975	1,367,305	840,367	10,547	-	33,894,194
EXPENDITURES						
General support	2,893,054	-	420,431	-	-	3,313,485
Instruction	14,908,425	1,142,246	-	-	-	16,050,671
Pupil transportation	1,675,503	21,425	-	-	-	1,696,928
Employee benefits	7,620,983	203,634	29,457	-	-	7,854,074
Debt service			-			
Principal	469,909	-	-	2,815,000	-	3,284,909
Interest	30,572	-	-	656,381	-	686,953
Cost of sales	-	-	384,368	-	-	384,368
Capital outlay	-	-	-	-	1,299,958	1,299,958
Total Expenditures	27,598,446	1,367,305	834,256	3,471,381	1,299,958	34,571,346
Excess (Deficiency) of Revenues Over Expenditures	4,077,529	-	6,111	(3,460,834)	(1,299,958)	(677,152)
OTHER FINANCING SOURCES AND USES						
Operating transfers in	-	-	32,100	3,471,381	100,000	3,603,481
Operating transfers (out)	(3,603,481)	-	-	-	-	(3,603,481)
Proceeds of debt	-	-	-	-	379,136	379,136
Total Other Sources (Uses)	(3,603,481)	-	32,100	3,471,381	479,136	379,136
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	474,048	-	38,211	10,547	(820,822)	(298,016)
Fund Balances - Beginning of year	4,015,953	-	28,296	3,547	(1,321,832)	2,725,964
Fund Balances - End of year	$ 4,490,001	$ -	$ 66,507	$ 14,094	$ (2,142,654)	$ 2,427,948

See notes to financial statements.

South Jefferson Central School Distirct
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds		$ (298,016)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of related losses on disposal of capital assets.		
Capital outlays	$ 1,349,549	
Depreciation expense	1,871,794	$ (522,245)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.		2,905,773
(Increases) decreases in accrued compensated absences 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.		31,336
On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		(2,950,582)
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' Retirement System	(978,363)	
Employees' Retirement System	1,283	(977,080)
Pension expense not recorded in fund statements. Adjustment in pension expense in the Statement of Activities to adjust to GAAP.		189,790
Accrued interest expense is recorded in the Statement of Activities but not in the governmental funds. The decrease in accrued interest is reported in expense.		20,228
Change in net position of governmental activities		$ (1,600,796)

See notes to financial statements.

South Jefferson Central School District
Statement of Fiduciary Net Position
For the Year Ended June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Cash	$ 247,754	$ 183,828
Due from other funds	-	792
Total Assets	$ 247,754	$ 184,620
LIABILITIES		
Due to other governments	$ -	$ 944
Extra-classroom activity balances	-	183,676
Total Liabilities	$ -	$ 184,620
NET POSITION		
Reserved for scholarships	$ 247,754	$ -

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	$ 26,721
Investment earnings	118
Total Additions	26,839
DEDUCTIONS	
Scholarships and awards	22,643
Change in Net Position	4,196
Net Position - Beginning of year	243,558
Net Position - End of Year	$ 247,754

Note 1 – Summary of accounting policies:

The financial statements of South Jefferson 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:

A) Reporting entity:

The South Jefferson 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 seven 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.

i) Extraclassroom Activity Funds

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

B) Joint venture:

The District is a component district in Jefferson – Lewis – Hamilton – Herkimer – Oneida 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 $2,904,122 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $1,338,939.

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

C) Basis of presentation:

i) 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.

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct 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.

ii) Funds 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.

The District reports the following major governmental funds:

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

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

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

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

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 extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned 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 measureable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 120 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.

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to November 15.

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

F) Restricted resources:

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

G) Inter-fund transactions:

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

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

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund 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 11 for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

H) Estimates:

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

I) Cash (and cash equivalents)/Investments

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.

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

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

J) Receivable (or Accounts receivable):

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

K) Inventories and prepaid items:

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

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

A portion of the fund balance in the amount of these non-liquid assets has been identified as not available for other subsequent expenditures.

L) Other assets/restricted assets (if applicable):

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

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.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold		Depreciation Method	Estimated Useful Life
Buildings	$	50,000	Straight line	50 years
Land improvements	$	25,000	Straight line	20 years
Furniture, vehicles & equipment	$	5,000	Straight line	5 to 20 years

N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three 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 period 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 the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district wide Statements of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three 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 liability (ERS System) and difference during the measurements 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 revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The third 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.

O) Unearned Revenue

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

P) Vested employee benefits:

Compensated absences

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

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

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 rated in effect at year-end.

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.

Q) Other benefits:

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State and Local Employees' 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

R) 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

RANs and TANs 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.

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

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.

S) 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.

T) Net Position/Fund Balance:

Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted 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.

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.

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

Funds 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 inventory recorded in the School Lunch Fund of $14,450, as well as prepaid items or the long-term portion of loans receivable recorded in the General Fund.

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. The District has established the following restricted fund balances:

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.

Liability Claims and Property Loss
According to Education Law §1709(8), 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.

Debt Service
According to General Municipal Law §6-l, 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.

Restricted fund balance includes the following:

General Fund:	
Unemployment insurance	$ 30,147
Property loss	7,050
Liability	23,474
Debt Service Fund	14,094
	$ 74,765

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, 2018.

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 have been restricted or assigned.

Unassigned Fund Balance

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

U) New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	Effective for the year ended June 30, 2018

Note 2 – Explanation of certain differences between fund statements and District-wide statements:

Due to the differences in the measurement focus and basis of accounting used in the funds 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.

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from the "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.

B) 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:

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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 – Changes in accounting principles:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note 12 for the financial statement impact of the implementation of the statement.

Note 4 – Stewardship, compliance and accountability:

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds 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 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. The following supplemental appropriations occurred during the year:

Additional revenue designated for specific uses totaling $71,576.

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018.

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

Encumbrances

Encumbrances 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.

The Capital Projects Fund has a deficit fund balance of $2,142,654. This will be funded when the District obtains permanent financing for its current construction project and receives transportation aid for purchased buses.

Note 5 – Cash (and cash equivalents) – custodial credit, concentration of credits, interest rate, and foreign currency risks:

Cash

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$2,583,040

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 $74,765 within the governmental funds and $431,583 in the fiduciary funds.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with

Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Note 6 – Receivables:

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollected accounts, are as follows:

	Governmental Activities			
Description	General	Special Aid	School Lunch	Total
Accounts receivable	$ 5,222	$ -	$ 2,464	$ 7,686
State and federal aid	1,059,712	452,220	-	1,511,932
	$ 1,064,934	$ 452,220	$ 2,464	$ 1,519,618

District management has deemed the amounts to be fully collectible.

Note 7 – Capital assets:

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

	Beginning Balance	Additions/ Adjustments	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 345,900	$ -	$ -	$ 345,900
Construction in progress	79,012	503,775	51,331	531,456
Total nondepreciable assets	424,912	503,775	51,331	877,356
Capital asssets that are depreciated:				
Buildings	64,169,816	153,761	-	64,323,577
Furniture, vehicles and equipment	7,852,130	743,344	440,030	8,155,444
Total depreciable assets	72,021,946	897,105	440,030	72,479,021
Less accumulated depreciation:				
Buildings	25,553,438	1,449,425	-	27,002,863
Furniture, vehicles and equipment	5,900,263	422,369	440,030	5,882,602
Total accumulated depreciation	31,453,701	1,871,794	440,030	32,885,465
Total depreciated assets, net	40,568,245	(974,689)	-	39,593,556
Capital assets, net	$ 40,993,157	$ (470,914)	$ 51,331	$ 40,470,912

Depreciation expense was charged to governmental functions as follows:	
General support	$ 160,140
Instruction	1,230,914
Pupil transportation	480,454
Food service	286
	$ 1,871,794

Note 8 – Short-term debt:

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

	Beginning Balance	Issued	Redeemed	Ending Balance
BAN maturing 2/16/2018 at .99%	$ 1,265,032	$ -	$ 1,265,032	$ -
BAN maturing 2/15/2019 at 2.50%	-	1,570,896	-	1,570,896
	$ 1,265,032	$ 1,570,896	$ 1,265,032	$ 1,570,896

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

Interest paid	$ 12,524
Less interest accrued in the prior year	(4,598)
Plus interest accrued in the current year	14,525
Total expense	$ 22,451

Note 9 – Long-term obligations:

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

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

	Beginning Balance (As restated)	Additions	Reductions	Ending Balance	Amounts due within one year
Government activities:					
Bonds and notes payable:					
Serial bonds at 3% - 5%, Final payment due 4/15/2032	$ 8,050,000	$ -	$ 1,260,000	$ 6,790,000	$ 1,185,000
Serial bonds at 1% - 3% Final payment due June 15, 2025	8,980,000	-	1,040,000	7,940,000	1,060,000
Serial bonds at 1% - 2.25%, Final payment due June 15, 2025	3,735,000	-	435,000	3,300,000	440,000
Serial bonds at 2% - 2.25%, Final payment due June 15, 2031	1,320,000	-	80,000	1,240,000	80,000
Total bonds payable	$ 22,085,000	$ -	$ 2,815,000	$ 19,270,000	$ 2,765,000
Other liabilities					
Compensated absences payable	$ 155,826	$ -	$ 31,336	$ 124,490	$ -
Other postemployment benefits payable	80,231,907	-	2,961,164	77,270,743	-
Net pension liability - proportionate share	1,908,290	-	1,517,600	390,690	-
Due to retirement systems	646,154	-	87,019	559,135	90,069
Total other long-term liabilities	82,942,177	-	4,597,119	78,345,058	90,069
	$ 105,027,177	$ -	$ 7,412,119	$ 97,615,058	$ 2,855,069

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

The following is a summary of debt service requirements for bonds payable:

	Principal	Interest	Total
Fiscal year ended June 30,			
2019	$ 2,765,000	$ 601,168	$ 3,366,168
2020	2,865,000	510,319	3,375,319
2021	2,960,000	415,518	3,375,518
2022	3,045,000	333,306	3,378,306
2023	3,145,000	226,106	3,371,106
5 subsequent years	4,040,000	237,882	4,277,882
4 subsequent years	450,000	26,406	476,406
Totals	$ 19,270,000	$ 2,350,705	$ 21,620,705

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

Interest paid	$ 656,381
Less interest accrued in the prior year	(97,375)
Plus interest accrued in the current year	77,147
Total expense	$ 636,153

Note 10 – Pension plans:

General information

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

Provisions and administration

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

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

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

Contributions	TRS	ERS
2018	$1,337,445	$495,713

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

Since 1989, the ERS 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.

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

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/ (liability)	$518,387	$(390,690)
District's portion of the Plan's total net pension asset/ (liability)	.068200%	.0121052%
Change in proportion since the prior measurement date	$1,260,726	$775,261

For the year ended June 30, 2018, the District's recognized pension expense (credit) of $2,070,952 for TRS and $485,090 for ERS. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ 426,505	$ 139,346	$ 202,113	$ 115,151
Changes of assumptions	5,274,688	259,060	-	-
Net difference between projected and actual earnings on pension plan investments	-	567,446	1,220,951	1,120,082
Changes in proportion and differences between the District's contributions and proportionate share of contributions	163,095	82,939	-	25,010
District's contributions subsequent to the measurement date	1,337,445	-	-	-
Total	$ 7,201,733	$ 1,048,791	$ 1,423,064	$ 1,260,243

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

Year Ended	TRS	ERS
2018	$ 151,893	$ -
2019	1,427,453	111,708
2020	1,030,589	85,597
2021	279,849	(278,666)
2022	1,027,684	(130,089)
Thereafter	523,755	-
	$ 4,441,223	$ (211,450)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.90- 4.72%	3.80%
Decrement tables	July 1, 2009 - June 30, 2014 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%	2.50%
Cost of living adjustments	1.50%	1.30%

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

For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Asset type		
Domestic equity	5.90%	4.55%
International equity	7.40%	6.35%
Private equity	-	7.50%
Real estate	4.30%	5.55%
Absolute return strategies	-	3.75%
Opportunistic portfolio	-	5.68%
Real assets	-	5.29%
Bonds and mortgages	2.80%	1.31%
Cash	-	-0.25%
Inflation-indexed bonds	-	1.25%
Domestic fixed income securities	1.60%	-
Global fixed income securities	1.30%	-
Short-term	0.60%	-
Alternative investments	9.00%	
High-yield fixed income securities	3.90%	

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, 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 (6.25% for TRS and 6.0 % for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension asset (liability)	$ (8,930,272)	$ 518,387	$ 8,431,170

ERS	1% Decrease (6.0%)	Current Assumption (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension asset (liability)	$ (2,956,066)	$ (390,690)	$ 1,779,515

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:

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $1,148,490.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $144,525 of employer contributions. Employee contributions are remitted monthly.

Note 11 – Interfund transactions – governmental funds:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General	$ 1,048,444	$ 40,467	$ -	$ 3,603,481
Spencial Aid	-	446,749	-	-
School Lunch	11,960	-	32,100	-
Debt Service	14,094	-	3,471,381	-
Capital Projects	-	588,074	100,000	-
Total Governmental Funds	1,074,498	1,075,290	$ 3,603,481	$ 3,603,481
Fiduciary	792	-		
Total	$ 1,075,290	$ 1,075,290		

The District typically transfers from the General Fund to the Special Aid Fund, to cover the local share of programs and from the General Fund to the Debt Service Fund to pay long term debt payments.

The District made a one-time transfer of $32,100 from the General Fund to the School Lunch Fund. This amount was used to bring the fund balance to a positive amount.

The District also made a transfer from the General Fund to the Capital Fund to finance a $100,000 capital project.

Note 12 – Postemployment (health insurance) benefits/ Prior period adjustment:

A. General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	307
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	253
	560

B. Total OPEB Liability

The District's total OPEB liability of $77,270,743 was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 %
Salary Increases	3.50 %, average, including inflation
Discount Rate	3.56 %
Healthcare Cost Trend Rates	Pre 65 – 7.25 %, decreasing to an ultimate rate of 3.886 % for 2075 and later years Post 65 – 6.25% for 2019, decreasing to an ultimate rate of 3.886% for 2075 and later years
Retirees' Share of Benefit-Related Costs	45% of projected health insurance premiums for retirees

The discount rate was based on Fidelity General Obligation 20-year AA Municipal Bond Index.

Mortality rates were based on the RP-2014 Mortality Tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 82,452,619
Changes for the Year	
Service cost	2,763,397
Interest	2,455,885
Changes of benefit terms	-
Differences between expected and acutal experience	-
Changes in assumptions or other inputs	(8,180,446)
Benefit payments	(2,220,712)
Net Changes	(5,181,876)
Balance at June 30, 2018	$ 77,270,743

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in 2017 to 3.56 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	$ 90,595,993	$ 77,270,743	$ 66,568,201

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 (6.25 and 5.25 percent) or 1 percentage point higher (8.25 and 7.25percent) than the current healthcare cost trend rate:

	1% Decrease (6.25% and 5.25%) Decreasing to 2.886%)	Healthcare Cost Trend Rates (7.25% and 6.25%) Decreasing to 3.886%)	1% Increase (8.25% and 7.25%) Decreasing to 4.886%)
Total OPEB Liability	$ 64,601,748	$ 77,270,743	$ 93,736,694

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

For the year ended June 30, 2018, the District recognized negative OPEB expense of $5,181,876. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	-	8,180,446
Contributions subsequent to the measurement period	2,268,700	-
Total	$ 2,268,700	$ 8,180,446

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

Fiscal Year Ending June 30,	Amount
2019	$ 1,042,228
2020	1,042,228
2021	1,042,228
2022	1,042,228
2023	1,042,228
Thereafter	2,969,306
	$ 8,180,446

As a result of adoption of GASB 75, net position at the beginning of the year has been restated. Beginning OPEB liability was increased by $49,076,592 and net position was decreased by $49,076,592.

Note 13 – Risk management:

General

The District is exposed to various risks of loss relative 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.

Consortiums and Self-Insured Plans

The District participates in South Jefferson Central School District Health Plan Trust for its employee health and accident insurance coverage. The trust is operated for the benefit of the District and is considered a self-sustaining risk pool that will provide coverage for its members up to $145,000 per insured event. The pool obtains independent coverage for insured events in excess of the $145,000 limit, and the District has essentially transferred all related risk to the trust.

Note 14 – Commitments and contingencies:

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.

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 15 – Tax abatements:

The County of Jefferson enters into a property tax abatement program for the purpose of economic development. The School District property tax revenue was reduced by $304,615. The District received payment in Lieu of Tax (PILOT) payment totaling $40,993.

Note 16 – Departure from GAAP:

During the year ended June 30, 2004, the district changed its method of recording pension expense. Previously, pension expense was accrued in the various funds when the expense became a liability of that fund. The method of recording was changed to recording pension expense in the funds when paid. During the year ended June 30, 2018, a pension accrual of $1,230,707 was not recorded in the fund accounts resulting in an understatement of liability and overstatement of fund balances of $1,230,707. Pension expense for the year ended June 30, 2018 is overstated by $189,790 in the fund statements. However, this expense and liability have been included in the Statement of Net Position and the Statement of Activities.

Note 17 – Subsequent Events:

Management has evaluated subsequent events through October 12, 2018, the date on which the financial statements were available to be issued.

Note 18 – Prior Period Adjustment:

In addition to the prior period adjustment reported in Note 12, the beginning deferred outflows of resources and net position have been increased by $1,492,183 to reflect employer contributions to TRS subsequent to the measurement date.

South Jefferson Central School District
Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits Plan
June 30, 2018

Measurement date	June 30, 2017
Total OPEB Liability	
Service cost	2,763,397
Interest	2,455,885
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	-
Changes of assumptions or other inputs	(8,180,446)
Benefit payments	(2,220,712)
Net change in total OPEB liability	(5,181,876)
Total OPEB liability - beginning	82,452,619
Total OPEB liability - ending	$ 77,270,743
Covered payroll	$ 15,490,742
Total OPEB liability as a percentage of covered payroll	498.82%

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

10 years of historical information will not be 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.

South Jefferson Central School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	$ 7,441,625	$ 7,441,625	$ 6,345,091		$ 1,096,534
Other tax items	49,500	49,500	1,152,698		(1,103,198)
Charges for services	29,000	85,576	153,322		(67,746)
Use of money and property	2,500	2,500	4,684		(2,184)
Sale of property and compensation for loss	-	-	18,480		(18,480)
Miscellaneous	161,500	176,500	296,014		(119,514)
Total Local Sources	7,684,125	7,755,701	7,970,289		(214,588)
State sources	23,598,673	23,598,673	23,699,055		(100,382)
Federal sources	-	-	6,631		(6,631)
Total Revenues	31,282,798	31,354,374	31,675,975		$ (321,601)
Other financing sources					
Proceeds of debt	-	-	-		-
Total Revenues and Other sources	31,282,798	31,354,374	31,675,975		(321,601)

EXPENDITURES	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgeting Actual and Encumbrances
General Support					
Board of education	$ 35,918	$ 35,777	$ 34,216	$ -	$ 1,561
Central administration	187,973	184,571	184,571	-	-
Finance	322,517	343,192	333,012	-	10,180
Staff	66,916	64,774	46,657	-	18,117
Central services	2,425,335	2,442,145	1,826,511	7,344	608,290
Special items	517,300	474,558	468,087	-	6,471
Total General Support	3,555,959	3,545,017	2,893,054	7,344	644,619
Instruction					
Instruction, administration and improvement	1,057,021	1,044,138	956,975	-	87,163
Teaching - regular school	8,821,620	8,940,690	8,833,295	34,974	72,421
Programs for children with handicapping conditions	2,982,350	2,896,375	2,570,835	-	325,540
Occupational education	1,097,812	1,097,812	1,077,812	-	20,000
Teaching - special school	13,677	61,043	59,882	787	374
Instructional media	322,368	292,370	273,184	-	19,186
Pupil services	1,148,841	1,170,871	1,136,442	-	34,429
Total Instruction	15,443,689	15,503,299	14,908,425	35,761	559,113
Pupil Transportation	2,024,216	2,051,216	1,675,503	-	375,713
Employee Benefits	8,161,990	8,183,972	7,620,983	-	562,989
Debt Service	501,034	501,034	500,481	-	553
Total Expenditures	29,686,888	29,784,538	27,598,446	43,105	2,142,987
OTHER FINANCING USES					
Transfers to other funds	3,639,481	3,639,481	3,603,481	-	36,000
Total Expenditures and Other Uses	$ 33,326,369	$ 33,424,019	$ 31,201,927	$ 43,105	$ 2,178,987
Net change in fund balances	(2,043,571)	(2,069,645)	474,048		
Fund balance - beginning	4,015,953	4,015,953	4,015,953		
Fund balance - ending	$ 1,972,382	$ 1,946,308	$ 4,490,001		

See paragraph on supplementary schedules included in independent auditors' report.

South Jefferson Central School District
Required Supplementary Information
Schedule of District Contributions
NYSTRS Pension Plan
Last 4 Fiscal Years
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Contractually Required Contribution	$ 1,273,039	$ 1,566,583	$ 1,871,452	$ 6,949,624
Contributions in Relation to the Contractually Required Contributioi	1,273,039	1,566,583	1,871,452	6,949,624
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 11,178,699	$ 11,814,351	$ 10,695,234	$ 10,675,710
Contributions as a Percentage of Covered-Employee Payroll	11.39%	13.26%	17.50%	18.26%

Schedule of District Contributions
NYSERS Pension Plan
Last 4 Fiscal Years
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Contractually Required Contribution	$ 495,713	$ 530,000	$ 633,478	$ 678,960
Contributions in Relation to the Contractually Required Contributioi	495,713	530,000	633,478	678,960
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 3,462,308	$ 3,544,472	$ 3,545,219	$ 3,423,773
Contributions as a Percentage of Covered-Employee Payroll	14.32%	14.95%	17.87%	19.83%

See paragraph on supplementary schedules included in independent auditors' report.

South Jefferson Central School District
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Liability
NYSTRS Pension Plan
Last 4 Fiscal Years
For the Year Ended June 30, 2018

	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.068200%	0.069310%	0.071070%	0.071200%
District's Proportionate Share of the Net Pension Liability (Asset)	$ (518,387)	$ 742,339	$ (7,381,930)	$ (7,939,006)
District's Covered-Employee Payroll	$ 11,178,699	$11,814,351	$10,695,234	$ 10,675,710
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	4.63%	-6.28%	69.02%	74.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	-100.66%	99.01%	110.46%	93.00%

Schedule of District's Proportionate Share of the Net Pension Liability
NYSERS Pension Plan
Last 4 Fiscal Years
For the Year Ended June 30, 2018

	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.012105%	0.012409%	0.012886%	0.012362%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 390,690	$ 1,165,951	$ 2,068,243	$ 417,600
District's Covered-Employee Payroll	$ 3,462,308	$ 3,544,472	$ 3,545,219	$ 3,423,773
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	11.28%	32.89%	58.34%	12.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	98.24%	94.70%	90.68%	100.00%

See paragraph on supplementary schedules included in independent auditors' report.

South Jefferson Central School District Supplemental Schedule #5
Schedule of Change from Adopted Budget to Final Budget
And the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 33,326,369
Encumbrances	26,074
Budget revisions:	
Summer recreation program	56,576
Bullet aid	6,000
Donation for specific use	9,000
Final budget	$ 33,424,019

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 subsequent year's voter-approved expenditure budget		
Maximum allowed (4% of 2018-2019 budget of $34,380,186)		$ 1,375,207
General Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	2,186,676	
Unassigned fund balance	2,211,451	
Total unrestricted fund balance	$ 4,398,127	
Less:		
Appropriated fund balance	2,143,571	
Encumbrances included in assigned fund balance	43,105	
Total adjustments	$ 2,186,676	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 2,211,451
Actual percentage		6.43%

See paragraph on supplementary schedules included in independent auditors' report.

South Jefferson Central School District
Schedule of Project Expenditures - Capital Projects Fund
For the Year Ended June 30, 2018

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	Methods of Financing: State Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance June 30, 2018
Buses*	$ 670,611	$ 670,611	$ -	$ 670,611	$ 670,611	$ -	$ -	$ -	$ 379,136	$ 379,136	(1,541,787)
Alterations - Adams Center Bus Garage	96,000	65,960	7,137	-	7,137	58,823	-	-	-	-	58,823
New Project	8,000,000	8,000,000	79,012	503,775	582,787	7,417,213	-	-	-	-	(582,787)
Additions & Alterations - Clarke	70,000	70,000	51,331	27,147	78,478	(8,478)	-	-	-	-	(78,478)
Additions & Alterations - Clarke	100,000	100,000	-	98,425	98,425	1,575	-	-	100,000	100,000	1,575
	$ 8,936,611	$ 8,906,571	$ 137,480	$ 1,299,958	$ 1,437,438	$ 7,469,133	$ -	$ -	$ 479,136	$ 479,136	$ (2,142,654)

* Buses are financed by BANs when purchased.

South Jefferson Central School District
Net Investment in Capital Assets
For the Year Ended June 30, 2018

Capital assets, net		$40,470,912
Deduct:		
Bond anticipation notes	$ 1,570,896	
Short-term portion of bonds payable	2,765,000	
Long-term portion of bonds payable	16,505,000	
		20,840,896
Net Investment in capital assets		$19,630,016

See paragraph on supplementary schedules included in independent auditors' report.

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

Board of Education
South Jefferson Central School District
Adams, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Jefferson Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise South Jefferson Central School District's basic financial statements and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Jefferson 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 Jefferson Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Jefferson 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 Jefferson 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-1.

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.

Stackel + Navarra, CPA, PC

Stackel & Navarra, C.P.A., P.C.
Watertown, NY
October 12, 2018

STACKEL & NAVARRA, C.P.A., P.C.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
South Jefferson Central School District
Adams, New York

Report on Compliance for Each Major Federal Program

We have audited South Jefferson 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 Jefferson Central School District's major federal programs for the year ended June 30, 2018. South Jefferson 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Jefferson 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 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 Jefferson 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 Jefferson Central School District's compliance.

Opinion of Each Major Federal Program

In our opinion, South Jefferson 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, 2018.

Report on Internal Control Over Compliance

Management of South Jefferson 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 Jefferson 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 Jefferson 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 weakness 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.

Stackel & Navarra, CPA, PC

Stackel & Navarra, C.P.A., P.C.
Watertown, NY
October 12, 2018

South Jefferson School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal/Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	
U.S. Department of Education			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA - Part B (Section 619)	84.173	0033180314	$ 4,107
IDEA - Part B (Section 611)	84.027	0032180314	417,210
Total Special Education Cluster			421,317
Title I - ESEA - Basic Grant	84.010	0021181155	461,141
Title I - School Improvement Grant	84.010	0011172570	6,704
Total Title I			467,845
Title IIA - Supporting Effective Instruction	84.367	0147181155	64,229
Total Passed-through NYS Education Department			953,391
Department of Education Direct Programs			
Impact Aid	84.041		6,631
Total U.S. Department of Education			960,022
U.S. Department of Agriculture			
Passed-through NYS Education Department:			
Child Nutrition Cluster:			
Non-cash assistance (food distribution)			
National School Lunch Program	10.555		49,994
Cash assistance			
School Breakfast Program	10.553		89,597
National School Lunch Program	10.555		401,296
Summer Food Service Program for children	10.559		18,535
Snack	10.555		1,388
Total Child Nutrition Cluster			560,810
Total Federal Awards Expended			$ 1,520,832

See notes to Schedule of Expenditures of Federal Awards.

South Jefferson School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 – Summary of certain significant accounting policies:

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 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 for 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 program 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.

Note 2 – Food distribution:

Nonmonetary assistance is recorded in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District has food commodities totaling $14,450 in inventory.

Note 3 – Subrecipients:

No amounts were provided to subrecipients.

Note 4 – Other disclosures:

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

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

South Jefferson Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued:		Modified
Internal control over financial reporting:		
Material weakness (es) identified?	______ yes	X no
Significant deficiency (ies) identified?	______ yes	X none reported
Noncompliance material to financial statements noted?	X yes	______ no

Federal Awards

Internal control over major programs:		
Material weakness (es) identified?	______ yes	X no
Significant deficiency (ies) identified?	______ yes	X none reported
Type of auditor's opinion(s) issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	______ yes	X no

Identification of major programs:

Name of federal program	CFDA Number
Title I – ESEA – Basic Grant	84.010
Title I – School Improvement Grant	84.010
Special Education Cluster	
IDEA – Part B (Section 619)	84.173
IDEA – Part B (Section 611)	84.027

Dollar threshold used to distinguish between Type A and Type B Programs		$750,000
Auditee qualified as low risk?	______ yes	X no

South Jefferson Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II - Financial Statements Findings

Finding 2018-01: Undesignated General Fund fund balance exceeds the 4% allowed by Section 1318 of the Real Property Tax Law.

At June 30, 2018, the School District appropriated $2,143,571 of fund balance for the 2018-2019 fiscal year leaving a balance of $2,211,451 unassigned. The amount left unappropriated is in excess of four percent of the ensuing fiscal year balance by $836,244.

Section III - Federal Award Findings and Questioned Costs

None

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Board of Education
South Jefferson Central School District
Adams, New York

Management Letter

In planning and performing our audit of the financial statements of South Jefferson Central School District for the year ended June 30, 2018, we considered the School District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of items that are opportunities for strengthening internal controls and operating efficiency.

We previously reported on the School District's internal control structure in our report dated October 12, 2018. This letter does not affect our report dated October 12, 2018, on the financial statements of South Jefferson Central School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various School District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Stackel & Navarra, CPA, PC

October 12, 2018

South Jefferson Central School District
Schedule of Findings and Recommendations
Year Ended June 30, 2018

Finding:

Unassigned fund balance of the General Fund exceeds the four percent limitation allowed by Section 1318 of New York State Real Property Tax Law.

Recommendation:

The District should work on reducing the fund balance to the allowable level.

Management's Response:

The District is aware that it exceeded the four percent limitation. The District is implementing procedures to better track budgetary expenditures throughout the year in order to more accurately predict the year end fund balance during the budget development process. These procedures will both ensure "excess" fund balance is used to offset the tax levy as intended by the law and to provide the District with a bit more flexibility in budgeting its annual appropriations.

Finding: The District has extraclassroom activities that have been inactive for at least two years. It should be determined whether or not these clubs will become active again, and if not, the Board should authorize these clubs to be dissolved and any remaining funds to be disbursed to a club that benefits all students.

Recommendation: Any inactive clubs should be dissolved if determined that they will not become active again.

Management's Response:

Extraclassroom accounts that show no activity in a 2 year period will be reviewed by the District. Should these accounts be deemed inactive/defunct, the accounts will be closed and remaining funds will be transferred to the Student Council account of the building to which the club was affiliated.

South Jefferson Central School District
Schedule of Status of Prior Year's Findings
Year Ended June 30, 2018

Finding – There are activities included in the Extraclassroom Activity Fund which appear to be either inactive or not meet criteria to be included in the fund.

Status – Noted in this year's Schedule of Findings and Recommendation.

Finding – Unassigned fund balance of the General Fund exceeds the four percent limitation allowed by Section 1318 of New York State Real Property Tax Law.

Status – Noted in this year's Schedule of Findings and Recommendations.

FORM OF BOND COUNSEL'S OPINION

July 9, 2019

South Jefferson Central School District
P.O. Box 10
Adams, New York 13605

Re: South Jefferson Central School District
$8,575,000 Bond Anticipation Notes, 2019 CUSIP No: 838488

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $8,575,000 Bond Anticipation Notes, 2019, (the "Notes") of South Jefferson Central School District, Counties of Jefferson, Lewis and Oswego, State of New York (the "District"). The Notes are dated July 9, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, a bond resolution adopted on January 10, 2018 of the District and a Certificate of Determination dated on or before July 9, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

In our opinion, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not a specific preference item for purposes of the federal 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