

## PRELIMINARY OFFICIAL STATEMENT

### RENEWAL ISSUE

### BOND ANTICIPATION NOTES

*In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "Tax Matters" herein, 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"). Bond Counsel is further of the opinion that interest on the Notes is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).*

*The Notes will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.*

# \$5,800,000

## CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

### HERKIMER COUNTY, NEW YORK

#### GENERAL OBLIGATIONS

### \$5,800,000 Bond Anticipation Notes, 2020

(the "Notes")



**Dated: February 6, 2020**

**Due: February 5, 2021**

The Notes are general obligations of the City School District of the City of Little Falls, Herkimer County, New York (the "District"), all of 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 will be issued without the option of prior redemption.

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 Hodgson Russ LLP, Bond Counsel, Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser(s), or about February 6, 2020.

**ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via [www.FiscalAdvisorsAuction.com](http://www.FiscalAdvisorsAuction.com), on January 23, 2020 by no later than 11:00 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.**

January 16, 2020

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 NOTICES OF EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX D – FORM UNDERTAKING TO PROVIDE NOTICES OF EVENTS" HEREIN.

# CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS HERKIMER COUNTY, NEW YORK

## DISTRICT OFFICIALS

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Accounts Payable/Deputy District Treasurer



FISCAL ADVISORS & MARKETING, INC.  
Municipal Advisors



Bond Counsel

No person has been authorized by City School District of the City of Little Falls 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 City School District of the City of Little Falls.

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PREPARED WITH THE ASSISTANCE OF



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**OFFICIAL STATEMENT**  
**of the**  
**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS**  
**HERKIMER COUNTY, NEW YORK**  
**Relating To**  
**\$5,800,000 Bond Anticipation Notes, 2020**

This Official Statement, which includes the cover page and appendices, has been prepared by the City School District of the City of Little Falls, Herkimer County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$5,800,000 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"). 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" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated February 6, 2020 and mature, without option of prior redemption, on February 5, 2021. The Notes will be issued in either (i) registered certificated form registered in the name of the purchaser, in denominations of \$5,000 each or multiples thereof, 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) registered book-entry-only form registered to 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 of the District dated March 28, 2018 authorizing the issuance of \$29,900,000 obligations of the District to pay the cost of a capital improvements project consisting of certain reconstruction, renovation, and new construction projects to Benton Hall Academy, the Middle/High School and the District Bus Garage Facility.

The proceeds of the Notes will renew in full the bond anticipation notes maturing February 7, 2020 and provide \$4,200,000 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](http://www.dtcc.com) and [www.dtc.org](http://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.

Principal and interest 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 principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 City School District of the City of Little Falls is situated in central New York State, in the southeast sector of Herkimer County. The City of Syracuse is located approximately 65 miles to the west and the City of Albany is approximately 60 miles to the east. Major highways serving the School District include Interstate 90 and New York State Routes 5 and 20.

The School District encompasses approximately 57.41 square miles and includes the City of Little Falls and various portions of the Towns of Danube, Fairfield, Herkimer, Little Falls, Manheim and Stark. The character of the School District is primarily rural with the majority of homes being single family. Commercial activity and industrial development in the District are centered in and around the City of Little Falls.

Transportation is provided to and from the School District by New York State Routes 5 and 20 and Interstate 90. Major airline service is provided at the Hancock International (Syracuse) Airport, which is located about 75 miles to the west of the School District and Albany International Airport located approximately 65 miles to the east.

Electricity is supplied throughout the School District by National Grid. The City of Little Falls maintains its own water supply and distribution system, primarily supported from user charges. The balance of the School District is supplied from well water. Sanitary sewage collection and treatment facilities have been constructed within the City of Little Falls, but not within the rest of the District. Police protection is provided by the New York State Police, the County Sheriff's Offices and the City of Little Falls Police Department. Fire protection and ambulance service is provided by the City of Little Falls Fire Department.

The downtown shopping center in the City of Little Falls recently underwent a major reconstruction in 2013 at an estimated cost in excess of \$11 million. The renovated and newly constructed shopping center is home to a new Price Chopper supermarket. This should have a significant impact on the downtown business sector as well as the entire community. A major industrial manufacturer also completed an \$8 million expansion in 2014 and an industrial gas supplier is completing a new distribution facility in the Town of Manheim at a cost of \$8 million. The District was recently notified of a new solar energy project that will be implemented on a property within the school district. Negotiations are ongoing with the Herkimer County Investment Authority regarding PILOT payments for the project.

Source: District officials.

### Population

The current estimated population of the District is 6,729. (Source: 2017 U.S. Census Bureau estimate)

### Larger Employers

Selected major employers located within the School District are as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Little Falls Hospital	Health Care	405
Burrows Paper Corporation	Manufacturing	244
Little Falls City School District	Education	196
Redco Foods	Manufacturing	135
Carton Filler Acquisition Corp.	Manufacturing	110
City of Little Falls	Municipality	90
Alpine Nursing Home	Health Care	89
Ideal Wood Products	Manufacturing	55

Source: District officials.



## Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
City of:						
Little Falls	\$ 15,139	\$ 23,860	\$ 23,081	\$ 34,583	\$ 50,521	\$ 51,555
Towns of:						
Danube	13,572	17,714	26,755	32,500	40,000	71,827
Fairfield	15,063	23,944	30,355	45,069	56,016	68,269
Herkimer	17,211	18,478	24,868	42,296	44,681	56,033
Little Falls	21,587	27,351	28,791	50,046	67,167	67,667
Manheim	15,429	23,860	21,261	39,032	53,724	60,123
Stark	14,128	19,844	24,942	34,545	50,972	56,667
County of:						
Herkimer	16,141	21,908	24,932	40,570	53,288	61,412
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

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

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

## Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Herkimer County	8.8%	7.8%	6.8%	6.2%	5.5%	5.7%	4.9%
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

### 2019-2020 Monthly Figures

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>
Herkimer County	5.9%	5.7%	5.5%	4.4%	4.1%	5.1%	4.4%	4.3%	3.9%	4.1%	4.3%	N/A	N/A
New York State	4.6%	4.4%	4.1%	3.6%	3.8%	3.8%	4.1%	4.2%	3.7%	3.9%	3.6%	N/A	N/A

Note: Unemployment rates for December 2019 and January 2020 are unavailable as of the date of this Official Statement.

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

## Form of School Government

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

The Board of Education which is the policy-making body of the School District, consists of seven members with overlapping five-year terms. Each Board member must be a qualified voter of the School District and no Board member may hold certain other district offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members. The President of the Board is the Chief Fiscal Officer of the School District.

## **Financial Organization**

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

## **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 by a vote of 318 to 35. The budget called for a total tax levy increase of 0.00% which was below the District's Tax Cap of 2.50%.

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 542 to 134. The adopted budget called for a total tax levy increase of 0.00%, which was below the District's Tax Cap of 2.00%.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 360 to 57. The District's adopted budget for 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.72%, which is below the District tax levy limit of 2.00%.

## **Investment Policy**

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

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) savings accounts or money market accounts of designated banks; (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in the State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in the State; (4) obligations of New York State; and (5) obligations of the United States Government (U.S. Treasury Bills and Notes).

The School District's policy does not permit the School District to invest in so-called derivatives or reverse repurchase agreements and the School District has never invested in derivatives or reverse repurchase agreements.

## **State Aid**

The District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 58.0% 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").

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

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

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

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

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

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

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

## *Building aid*

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 95.5% 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 had declined in some prior years before increasing more recently

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

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

*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 \$4.1 million. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

*School district fiscal year (2017-2018):* The State 2017-18 Enacted Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

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

### *State Aid Litigation*

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

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

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

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

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

## 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.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2014-2015	\$ 21,360,714	\$ 12,360,722	57.87%
2015-2016	21,708,960	12,534,081	57.74
2016-2017	22,316,803	13,034,888	58.41
2017-2018	21,711,976	12,325,104	56.77
2018-2019	22,037,516	12,475,008	56.61
2019-2020 (Budgeted)	22,799,520	13,212,348	57.95

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

## District Facilities

The School District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Year (s) Built</u>
Benton Hall Elementary School	K-5	1895, '98, '29, '97
Middle School/High School	6-12	1968; '76, '95, 2003

Source: District officials.

## Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-16	1,079	2020-21	1,152
2016-17	1,129	2021-22	1,180
2017-18	1,155	2022-23	1,210
2018-19	1,108	2023-24	1,241
2019-20	1,124	2024-25	1,272

Source: District officials.

## Employees

The School District employs a total of 203 full time and 27 part time employees. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreement are as follows:

<u>Number of Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
126	NYSUT, Teachers	June 30, 2020
4	SAANY, Administrators	June 30, 2021
43	CSEA, Clerical/Custodian	June 30, 2023
25	CSEA, Teacher Aides	June 30, 2023
5	CSEA, Bus Drivers	June 30, 2023

Source: District officials.

## Status and Financing of Employee Pension Benefits

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

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

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

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

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

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-2015	\$ 332,573	\$ 1,124,222
2015-2016	400,438	811,534
2016-2017	383,122	761,638
2017-2018	409,981	690,918
2018-2019	412,118	836,391
2019-2020 (Budgeted)	405,000	820,000

Source: District officials.

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 offered an incentive in the 2017-2018 fiscal year, but no employees participated. The District currently does not offer 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 (2015-16 to 2019-20) is shown below:

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

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

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

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

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

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

The 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. The District plans to establish a TRS fund.

Retirement System Assumptions. The investment of monies and assumptions underlying same, of the Retirement Systems covering the School District’s employees is not subject to the direction of the School 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 School District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

## Other Post 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.

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.

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

The following table outlines the changes to the Total OPEB Liability during the 2018 and 2019 fiscal years, by source.

	Balance beginning at:	June 30, 2017	June 30, 2018
		\$ 57,702,968	\$ 52,776,674
<u>Changes for the year:</u>			
Service cost		1,959,674	1,537,744
Interest on total OPEB liability		1,678,908	1,927,950
Changes in Benefit Terms		-	640,307
Differences between expected and actual experience		-	(3,891,138)
Changes in Assumptions or other inputs		(7,057,636)	(5,832,461)
Benefit payments		(1,507,240)	(1,520,477)
Net Changes		\$ (4,926,294)	\$ (7,138,075)
	Balance ending at:	June 30, 2018	June 30, 2019
		\$ 52,776,674	\$ 45,638,599

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District's OPEB liability see "APPENDIX – E" attached hereto.

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.

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.

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

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

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

### **Other Information**

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

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

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

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

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

### **Financial Statements**

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 and is attached hereto as "APPENDIX – E". 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 May 27, 2016. The purpose of the audit was to evaluate the District's leave accrual procedures for the period July 1, 2014 through December 31, 2015. Key findings and recommendations of the audit report are summarized below:

Key Findings:

- District employees received and used leave accruals in accordance with individual employee contracts and collective bargaining agreements.

Key Recommendations:

- There were no recommendations as a result of the audit.

The District provided a complete response to the State Comptroller's office on April 18, 2016. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

The State Comptroller's office released its most recent audit report of the District on June 14, 2019. The purpose of the audit was to determine whether the Board and District officials effectively managed financial condition and fund balance for the period from July 1, 2017 to October 31, 2018. Key findings and recommendations of the audit report are summarized below:

Key Findings:

- For the last three completed fiscal years (2015-16 through 2017-18) surplus fund balance exceeded the statutory limit by \$1.15 to \$1.83 million or 5.3 to 8.5 percentage points.
- The District has generated operating surpluses totaling approximately \$1.5 million over the last three fiscal years. Although total budget variances were generally reasonable, District officials failed to use surplus funds in a manner that benefits the taxpayers and reduces the surplus fund balance.
- District officials have not developed a comprehensive multiyear financial plan.

Key Recommendations:

- Reduce the surplus fund balance to within the statutory limit and use the surplus funds to finance one-time expenditures or needed reserves, pay off debt or reduce property taxes.
- Develop a comprehensive multiyear financial plan.

The District provided a complete response to the State Comptroller's office on May 15, 2019. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

As of the date of this Official Statement, there are no State Comptrollers 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 to Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

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

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

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 Valuations <sup>(1)</sup>

Total Taxable Assessed Valuations:

<u>Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$ 140,820,708	\$ 143,379,147	\$ 143,157,625	\$ 143,628,299	\$ 143,689,166

Full Valuation Computed Using Regular State Equalization Rates:

<u>Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$ 307,797,965	\$ 307,627,254	\$ 305,713,896	\$ 309,417,681	\$ 319,490,546

Full Valuation Computed Using Special State Equalization Ratios:

<u>Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$ 299,996,403	\$ 306,525,732	\$ 307,319,715	\$ 308,920,839	\$ N/A

<sup>(1)</sup> Please refer to "APPENDIX-C" for greater detail of assessed values, equalization ratios and calculation of full value. Special State equalization ratios are used solely for purposes of computing the School District's constitutional debt limit.

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

<u>Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of:					
Little Falls	\$ 139.99	\$ 140.39	\$ 141.27	\$ 139.62	\$ 144.50
Towns of:					
Danube	32.18	33.83	34.75	35.26	35.20
Fairfield	35.00	35.10	36.22	36.74	36.74
Herkimer	29.78	29.87	30.06	29.83	30.34
Little Falls	37.83	37.94	37.67	37.73	38.13
Manheim	41.17	41.29	40.36	41.68	40.98
Stark	46.66	47.43	47.64	48.23	49.29

### Tax Collection Procedure

Tax payments are due September 1 of each year. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged for the next 30 days. On November 1 uncollected taxes are returnable to the County for collection. The School District receives this amount from the County prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by the County.

## Tax Levy and Tax Collection Record

<u>Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Tax Levy	\$ 8,449,553	\$ 8,637,397	\$ 8,637,397	\$ 8,637,397	\$ 8,786,172
Amount Uncollected	1,002,102	803,703	1,049,846	888,299	1,236,767
% Uncollected <sup>(1)</sup>	11.86%	12.00%	8.51%	10.2%	14.1%

<sup>(1)</sup> The District is reimbursed by the County for all unpaid taxes. See “Tax Collection Procedure” herein.

## Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes &amp; Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2014-2015	\$ 21,360,714	\$ 8,489,725	39.74%
2015-2016	21,708,960	8,575,983	39.50
2016-2017	22,316,803	8,786,552	39.37
2017-2018	21,711,976	8,785,922	40.47
2018-2019	22,037,516	8,796,834	39.92
2019-2020 (Budgeted)	22,799,520	8,786,172	38.54

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

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

<u>Name</u>	<u>Type</u>	<u>Taxable Full Valuation</u>
National Grid	Utility	\$ 22,550,389
Iroquois Gas Co.	Utility	9,199,194
Little Falls Hydroelectric	Energy	7,843,500
CSX Transportation, Inc.	Transportation	5,999,290
Manheim CNG Center, LLC	Energy	5,882,353
Burrows Paper Corp.	Manufacturing	4,816,000
575 East Mill Street, LLC	Manufacturer	4,199,500
YHEY Group, LLC	Commercial	2,847,350
MMM Holdings	Manufacturing	2,578,650
Riverside Industrial, LLC	Manufacturer	2,313,750

The larger taxpayers listed above have a total estimated full valuation of \$68,229,976 which represents 21.3% of the tax base of the School District.

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

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 for 2019 benefits and \$88,050 or less for 2020 benefits, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

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

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

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

<b><u>Municipality:</u></b>	<b><u>Enhanced Exemption</u></b>	<b><u>Basic Exemption</u></b>	<b><u>Date Certified</u></b>
City of Little Falls	\$ 13,740	\$ 6,000	4/9/2019
Town of Danube	54,410	23,760	4/9/2019
Town of Fairfield	52,210	22,800	4/9/2019
Town of Herkimer	64,300	28,080	4/9/2019
Town of Little Falls	50,840	22,200	4/9/2019
Town of Manheim	46,030	20,100	4/9/2019
Town of Stark	39,780	17,370	4/9/2019

\$1,612,263 of the District’s \$8,637,397 school tax levy for the 2018-19 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2019.

Approximately \$1,625,441 of the District’s \$8,786,172 school tax levy for the 2019-20 fiscal year is expected to be exempted by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State by January, 2020.

## Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

The total valuation of the School District is estimated to be categorized as follows: Residential-6%, Commercial-40% and Other – 54%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the School District is approximately \$4,524 including County, Town, School District and Fire District taxes.

## TAX LEVY LIMITATION LAW

On June 24, 2011, the Tax Levy Limitation Law was signed into law by the Governor. The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

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

Tax Levy Limitation Law requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020 unless extended; it was made permanent in the current legislative session. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Notes.

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

Chapter 59 of the Laws of 2014 (“Chapter 59”) included provisions which provides a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved “government efficiency plan” which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 (“Chapter 20”) introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer’s personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the “Big 4” cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance within the Tax Levy Limitation Law.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law.

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

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

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

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

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

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

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

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



## Statutory Procedure

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

**Debt Limit.** The District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

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

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

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

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

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

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

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

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

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

## Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30<sup>th</sup>:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 6,809,030	\$ 5,519,797	\$ 3,962,682	\$ 3,565,462	\$ 3,009,386
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,600,000</u>
Total Debt Outstanding	<u>\$ 6,809,030</u>	<u>\$ 5,519,797</u>	<u>\$ 3,962,682</u>	<u>\$ 3,565,462</u>	<u>\$ 4,609,386</u>

## Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of January 16, 2020.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2020-2025	\$ 2,765,891
<u>Bond Anticipation Notes</u>		
Various Capital Improvements	February 7, 2020	<u>1,600,000</u> <sup>(1)</sup>
	Total Indebtedness	<u>\$ 4,365,891</u>

<sup>(1)</sup> To be renewed at maturity with the proceeds of the Notes.

## Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 16, 2020:

	<u>Computed Using Regular State Equalization Rates</u>	<u>Computed Using Special State Equalization Ratios</u>
Five-Year Average Full Valuation of Taxable Real Property <sup>(1)</sup> .....	\$ 308,809,468	\$ 303,708,899
Debt Limit 5% thereof .....	15,440,473	15,185,445
<u>Inclusions:</u>		
Bonds.....	\$ 2,765,891	2,765,891
Bond Anticipation Notes .....	1,600,000	1,600,000
Tax Anticipation Notes.....	0	0
Revenue Anticipation Notes.....	<u>0</u>	<u>0</u>
Total Inclusions.....	<u>\$ 4,365,891</u>	<u>\$ 4,365,891</u>
<u>Exclusions:</u>		
Appropriations.....	\$ 460,000	\$ 460,000
Tax Anticipation Notes.....	0	0
Revenue Anticipation Notes.....	<u>0</u>	<u>0</u>
Total Exclusions.....	\$ 460,000	\$ 460,000
Total Net Indebtedness <sup>(1) (2)</sup> .....	<u>\$ 3,905,891</u>	<u>\$ 3,905,891</u>
Net Debt-Contracting Margin <sup>(3)</sup> .....	<u>\$ 11,534,582</u>	<u>\$ 11,279,554</u>
The percent of debt contracting power exhausted is.....	25.30%	25.72%

<sup>(1)</sup> The District's constitutional debt limit has been computed using special equalization ratios established by the State Office of Real Property Services pursuant to Art-12-B of the Real Property Tax Law. Conventional State equalization rates are also established by said Office of Real Property Services, and are used for all other purposes. See "TAX INFORMATION – Taxable Assessed Valuations" herein or "APPENDIX – C" attached hereto.

<sup>(2)</sup> Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the District receives aid on existing bonded debt. The District, as a school district located in a city, may not under Section 121.20 of the Local Finance Law exclude from gross indebtedness estimated State aid for School building purposes. As noted above, the District receives New York State debt service building aid in an amount approximating 95.5% of its outstanding debt. 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.

<sup>(3)</sup> The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the constitutional debt limit 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

On May 15, 2018, qualified voters of the District authorized a \$29,900,000 capital project to pay the cost of certain reconstruction, renovation, and new construction projects to Benton Hall Academy, the Middle/High School and the District Bus Garage Facility. To date, the District has issued \$1,600,000 bond anticipation notes. The Notes are being issued to renew the bond anticipation notes maturing February 7, 2020 and provide \$4,200,000 new money for the aforementioned purpose. Future short-term borrowings for this project are expected to meet construction cash flow needs. Construction is projected to begin in the 2020-2021 school year.

On May 15, 2018, qualified voters of the District authorized a \$525,000 capital project to pay the cost of an athletic facilities lighting project. Future borrowings for this project will be pursuant to State approval and construction cash flow needs. Construction is projected to begin in summer 2020.

On May 21, 2019 the qualified voters of the District authorized the issuance of \$114,000 serial bonds for the purchase of buses.

Other than as stated above, there are no other capital projects authorized or unissued by the District, nor are any contemplated.

## Cash Flow Borrowings

The School District has not issued tax and/or revenue anticipation notes in the past five fiscal years, and does not plan on issuing any 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 as of the respective municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Exclusions</u> <sup>(2)</sup>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Herkimer	12/31/2017	\$ 6,260,000	\$ -	\$ 6,260,000	6.60%	\$ 413,160
City of:						
Little Falls	12/31/2017	7,527,305	3,805,470	3,721,835	100.00%	3,721,835
Town of:						
Danube	12/31/2017	74,000	-	74,000	64.48%	47,715
Fairfield	12/31/2017	222,000	-	222,000	3.20%	7,104
Herkimer	12/31/2017	813,600	-	813,600	0.60%	4,882
Little Falls	12/31/2017	30,049	30,049	-	71.58%	-
Manheim	12/31/2017	30,000	-	30,000	24.82%	7,446
Stark	12/31/2017	593,168	539,168	54,000	1.53%	826
					Total:	<u>\$ 4,202,968</u>

<sup>(1)</sup> Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

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

Source: Most recent available State Comptroller’s Special Report on Municipal Affairs for Local Finance Years Ended in 2017 for the counties and towns listed above.

## Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of January 16, 2020:

	<u>Amount</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Value</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup> .....	\$ 3,905,891	\$ 580.46	1.26%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> .....	8,108,859	1,205.06	2.62

(a) The current estimated population of the District is 6,729. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2019-20 fiscal year using regular state equalization rates is \$319,490,546. (See "TAX INFORMATION – Taxable Assessed Valuations" herein or "APPENDIX – C" attached hereto.)

(c) See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.

(d) Estimated net overlapping indebtedness is \$4,202,968. (See "Estimated Overlapping Indebtedness" herein.)

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

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

**State Aid Intercept for School Districts.** In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

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

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

**Execution/Attachment of Municipal Property.** As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

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

**Constitutional Non-Appropriation Provision.** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

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

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

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

## **MARKET AND RISK FACTORS**

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.

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” herein.

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the 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 (as hereinafter defined) 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.

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

## **TAX MATTERS**

### **The Notes**

Hodgson Russ LLP, of Albany, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”). However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

### **Tax Requirements**

In rendering the foregoing opinions, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Code sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Hodgson Russ LLP, the tax compliance certificate and nonarbitrage certificate that will be executed and delivered by the District in connection with the issuance of the Notes (collectively, the “Tax Certificate”) establishes the requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

- 1       The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a “private activity bond” within the meaning of Code section 141;
- 2       The requirements contained in Code section 148 relating to arbitrage bonds; and
- 3       The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code section 149(b).

In the Tax Certificate, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

### **Bank Qualified**

The Notes will NOT be designated as “qualified tax-exempt obligations” pursuant to Code section 265.

## **Other Impacts**

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

## **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a bond before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code section 3406, if such holder fails to provide the information required on Internal Revenue Service (“IRS”) Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

## **Future Legislation**

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government.

No representation is made as to the likelihood of such proposals being enacted, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes.

Prospective purchasers of the Notes should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Notes at other than their original issuance at the respective prices set indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

## **New York State Taxes**

In the opinion of Bond Counsel, interest on the Notes is exempt, under existing statutes, from New York State and New York City personal income taxes.

## **Miscellaneous**

All quotations from and summaries and explanations of provisions of laws do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Bond Counsel’s engagement with respect to the Notes ends with the issuance of the Notes. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. Unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Notes regarding the tax status of the interest thereon in the event of an audit examination by the Service.

ALL PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE NOTES.

## **LEGAL MATTERS**

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Hodgson Russ LLP, Bond Counsel, Albany, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District, all the taxable 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, subject to the statutory limitation imposed by the Tax Levy Limitation Law, (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York; and (iii) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions of Bond Counsel set forth in (iii) above are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases. See "TAX LEVY LIMITATION LAW" herein.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's 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 therein; (iii) the opinions expressed therein 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 District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Notes as the same respectively become due and payable; (iv) reference should be made to this Official Statement for factual information which, in the judgment of the District, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the 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 the light of the circumstances under which they were made, not misleading.

## **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 accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), unless the Notes are purchased for the purchaser's own account, as principal for investment and not for resale, the District will enter into a Disclosure Undertaking at closing, the form of which is attached hereto as "APPENDIX – D."

The District has established procedures to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System ("EMMA").

A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.



## **MUNICIPAL ADVISOR**

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

## **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 not 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 – D", 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, 38<sup>th</sup> 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.

Hodgson Russ LLP, Albany, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, 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](http://www.fiscaladvisors.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the 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: Mr. Ashraf Allam, Director of Business Operations and Technology, 15 Petrie Street, Little Falls, New York telephone (315) 823-1470, fax (315) 823-0321, email [aallam@lfcisd.org](mailto:aallam@lfcisd.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](http://www.fiscaladvisors.com)

#### **CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS**

**Dated: January 16, 2020**

**KRISTINA M. HAMEISTER**  
**PRESIDENT OF THE BOARD OF EDUCATION AND**  
**CHIEF FISCAL OFFICER**

**GENERAL FUND**

**Balance Sheets**

Fiscal Years Ending June 30:	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
<u><b>ASSETS</b></u>					
Unrestricted Cash	\$ 1,850,120	\$ 2,213,198	\$ 2,484,122	\$ 2,294,093	\$ 1,437,308
Restricted Cash	-	-	73,776	225,000	278,947
Due from Other Funds	218,214	325,799	577,645	283,234	1,162,021
Due from Fiduciary Funds	-	-	698	28	380,976
State and Federal Aid Receivable	845,469	854,350	869,171	1,318,248	1,192,651
Other Receivables	29,953	39,162	71,257	81,896	182,995
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,943,756</u></u>	<u><u>\$ 3,432,509</u></u>	<u><u>\$ 4,076,669</u></u>	<u><u>\$ 4,202,499</u></u>	<u><u>\$ 4,634,898</u></u>
<u><b>LIABILITIES AND FUND EQUITY</b></u>					
Accounts Payable	\$ 137,018	\$ 220,222	\$ 90,855	\$ 322,762	\$ 344,769
Accrued Liabilities	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	-
Due to Other Funds	-	-	73,776	26,179	53,947
Due to Teachers' Retirement System	1,203,000	925,377	855,082	98,666	98,666
Due to Employees' Retirement System	133,048	105,680	94,590	781,718	876,018
Overpayments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,473,066</u></u>	<u><u>\$ 1,251,279</u></u>	<u><u>\$ 1,114,303</u></u>	<u><u>\$ 1,229,325</u></u>	<u><u>\$ 1,373,400</u></u>
<u><b>FUND EQUITY</b></u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	225,000	225,000
Assigned	48,773	146,861	280,858	510,368	257,503
Unassigned	1,421,917	2,034,369	2,681,508	2,237,806	2,778,995
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND EQUITY</b>	<u><u>1,470,690</u></u>	<u><u>2,181,230</u></u>	<u><u>2,962,366</u></u>	<u><u>2,973,174</u></u>	<u><u>3,261,498</u></u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u><u>\$ 2,943,756</u></u>	<u><u>\$ 3,432,509</u></u>	<u><u>\$ 4,076,669</u></u>	<u><u>\$ 4,202,499</u></u>	<u><u>\$ 4,634,898</u></u>

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance**

Fiscal Years Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>REVENUES</u></b>					
Real Property Taxes	\$ 6,625,914	\$ 6,716,528	\$ 6,961,961	\$ 6,999,454	\$ 7,025,134
Real Property Tax Items	1,863,811	1,859,455	1,824,591	1,786,468	1,771,700
Charges for Services	122,691	130,293	110,621	132,927	120,689
Use of Money & Property	44,240	26,653	26,645	52,404	60,605
Sale of Property and					
Compensation for Loss	9,578	2,063	4,876	277	5,445
Miscellaneous	251,320	354,484	278,269	352,003	427,336
Revenues from State Sources	12,360,722	12,534,081	13,034,888	12,325,104	12,475,008
Revenues from Federal Sources	82,438	85,403	74,952	63,339	151,599
Total Revenues	<u>\$ 21,360,714</u>	<u>\$ 21,708,960</u>	<u>\$ 22,316,803</u>	<u>\$ 21,711,976</u>	<u>\$ 22,037,516</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 21,360,714</u>	<u>\$ 21,708,960</u>	<u>\$ 22,316,803</u>	<u>\$ 21,711,976</u>	<u>\$ 22,037,516</u>
<b><u>EXPENDITURES</u></b>					
General Support	\$ 2,679,341	\$ 2,869,143	\$ 2,976,533	\$ 3,329,852	\$ 2,874,274
Instruction	9,054,004	9,324,906	9,637,199	10,597,943	10,530,167
Pupil Transportation	1,024,713	1,017,417	1,056,048	1,044,608	1,090,377
Community Services	-	-	-	-	-
Employee Benefits	6,155,676	6,016,459	6,018,869	6,039,964	6,492,662
Debt Service	1,745,876	1,757,634	1,820,167	670,951	691,078
Total Expenditures	<u>\$ 20,659,610</u>	<u>\$ 20,985,559</u>	<u>\$ 21,508,816</u>	<u>\$ 21,683,318</u>	<u>\$ 21,678,558</u>
Other Uses:					
Interfund Transfers	<u>16,184</u>	<u>12,861</u>	<u>26,851</u>	<u>17,850</u>	<u>70,634</u>
Total Expenditures and Other Uses	<u>\$ 20,675,794</u>	<u>\$ 20,998,420</u>	<u>\$ 21,535,667</u>	<u>\$ 21,701,168</u>	<u>\$ 21,749,192</u>
Excess (Deficit) Revenues Over					
Expenditures	<u>684,920</u>	<u>710,540</u>	<u>781,136</u>	<u>10,808</u>	<u>288,324</u>
<b><u>FUND BALANCE</u></b>					
Fund Balance - Beginning of Year	785,770	1,470,690	2,181,230	2,962,366	2,973,174
Prior Period Adjustments (net) (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 1,470,690</u></u>	<u><u>\$ 2,181,230</u></u>	<u><u>\$ 2,962,366</u></u>	<u><u>\$ 2,973,174</u></u>	<u><u>\$ 3,261,498</u></u>

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

**GENERAL FUND**

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

Fiscal Years Ending June 30:	<b>2019</b>			<b>2020</b>
	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Adopted Budget</u>
<b><u>REVENUES</u></b>				
Real Property Taxes	\$ 8,637,397	\$ 8,637,397	\$ 7,025,134	\$ 8,786,172
Real Property Tax Items	122,000	122,000	1,771,700	122,000
Charges for Services	141,500	141,500	120,689	141,500
Use of Money & Property	51,500	51,500	60,605	26,500
Sale of Property and Compensation for Loss	-	-	5,445	-
Miscellaneous	243,440	243,440	427,336	201,000
Revenues from State Sources	12,729,452	12,729,452	12,475,008	13,212,348
Revenues from Federal Sources	50,000	50,000	151,599	60,000
Total Revenues	<u>\$ 21,975,289</u>	<u>\$ 21,975,289</u>	<u>\$ 22,037,516</u>	<u>\$ 22,549,520</u>
Other Sources:				
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 21,975,289</u>	<u>\$ 21,975,289</u>	<u>\$ 22,037,516</u>	<u>\$ 22,549,520</u>
<b><u>EXPENDITURES</u></b>				
General Support	\$ 3,138,893	\$ 3,039,426	\$ 2,874,274	\$ 3,702,912
Instruction	10,304,739	10,736,131	10,530,167	9,790,531
Pupil Transportation	1,064,970	1,106,145	1,090,377	1,399,057
Community Services	-	-	-	-
Employee Benefits	7,208,974	6,835,516	6,492,662	7,238,322
Debt Service	696,081	696,081	691,078	668,698
Total Expenditures	<u>\$ 22,413,657</u>	<u>\$ 22,413,299</u>	<u>\$ 21,678,558</u>	<u>\$ 22,799,520</u>
Other Uses:				
Interfund Transfers	<u>72,000</u>	<u>72,358</u>	<u>70,634</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 22,485,657</u>	<u>\$ 22,485,657</u>	<u>\$ 21,749,192</u>	<u>\$ 22,799,520</u>
Excess (Deficit) Revenues Over Expenditures	<u>(510,368)</u>	<u>(510,368)</u>	<u>288,324</u>	<u>(250,000)</u>
<b><u>FUND BALANCE</u></b>				
Fund Balance - Beginning of Year	510,368	510,368	2,973,174	250,000
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,261,498</u>	<u>\$ -</u>

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

**APPENDIX - B**  
**City School District of the City of Little Falls**

**BONDED DEBT SERVICE**

Fiscal Year Ending June 30th	Principal		Interest	Total	
2020	\$	553,495	\$	90,527	\$ 644,022
2021		528,728		102,732	631,460
2022		502,519		78,056	580,574
2023		504,644		63,141	567,784
2024		500,000		38,500	538,500
2025		270,000		13,500	283,500
TOTALS	\$	2,859,386	\$	386,455	\$ 3,245,840

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending June 30th	2014 Buses			2015 Track Repairs & Resurfacing			2016 Buses		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	9,767	208	9,975	\$ 46,209	\$ 2,773	\$ 48,982	\$ 12,875	\$ 1,197	\$ 14,072
2021	-	-	-	46,209	1,386	47,596	12,875	797	13,672
2022	-	-	-	-	-	-	12,875	399	13,274
TOTALS	\$ 9,767	\$ 208	\$ 9,975	\$ 92,419	\$ 4,159	\$ 96,578	\$ 38,624	\$ 2,394	\$ 41,018

Fiscal Year Ending June 30th	2017 Buses			2019 Refunding of 2010 Series Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 24,644	\$ 2,563	\$ 27,207	\$ 460,000	\$ 83,786	\$ 543,786
2021	24,644	1,922	26,566	445,000	98,625	543,625
2022	24,644	1,281	25,925	465,000	76,375	541,375
2023	24,644	641	25,284	480,000	62,500	542,500
2024	-	-	-	500,000	38,500	538,500
2025	-	-	-	270,000	13,500	283,500
TOTALS	\$ 98,575	\$ 6,407	\$ 104,982	\$ 2,620,000	\$ 373,286	\$ 2,993,286

**COMPUTATION OF FULL VALUATION**

**Using Regular Equalization Rates**

Year of District Tax Roll		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Year of Assessment Roll		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>Assessed Valuation</u></b>							
City of:	Little Falls	\$ 31,807,974	\$ 31,378,562	\$ 31,523,415	\$ 31,435,247	\$ 31,189,343	\$ 31,079,297
Towns of:	Danube	29,845,088	30,148,153	30,243,039	30,153,555	29,751,937	29,870,382
	Fairfield	2,378,801	2,380,904	2,384,900	2,396,943	2,382,924	2,387,413
	Herkimer	2,270,597	2,287,564	2,367,328	2,333,581	3,144,793	3,172,535
	Little Falls	41,340,417	41,781,231	42,324,428	42,182,878	42,296,334	42,389,396
	Manheim	28,324,257	32,432,000	34,125,423	34,107,260	34,336,531	34,265,486
	Stark	<u>417,088</u>	<u>412,294</u>	<u>410,614</u>	<u>548,161</u>	<u>526,437</u>	<u>524,657</u>
<b>Total Assessed Valuation</b>		<u>\$ 136,384,222</u>	<u>\$ 140,820,708</u>	<u>\$ 143,379,147</u>	<u>\$ 143,157,625</u>	<u>\$ 143,628,299</u>	<u>\$ 143,689,166</u>
<b><u>State Equalization Rates</u></b>							
City of:	Little Falls	20.00%	20.00%	20.00%	20.00%	20.00%	19.00%
Towns of:	Danube	89.00%	87.00%	83.00%	81.30%	79.00%	78.00%
	Fairfield	82.00%	80.00%	80.00%	78.00%	76.00%	76.00%
	Herkimer	94.00%	94.00%	94.00%	94.00%	94.00%	90.00%
	Little Falls	72.50%	74.00%	74.00%	75.00%	74.00%	72.00%
	Manheim	70.00%	68.00%	68.00%	70.00%	67.00%	67.00%
	Stark	58.25%	60.00%	59.20%	59.30%	57.00%	56.00%
<b><u>Full Valuation</u></b>							
City of:	Little Falls	\$ 159,039,870	\$ 156,892,810	\$ 157,617,075	\$ 157,176,235	\$ 155,946,715	\$ 163,575,247
Towns of:	Danube	33,533,807	34,653,049	36,437,396	37,089,244	37,660,680	38,295,362
	Fairfield	2,900,977	2,976,130	2,981,125	3,073,004	3,135,426	3,141,333
	Herkimer	2,415,529	2,433,579	2,518,434	2,482,533	3,345,524	3,525,039
	Little Falls	57,021,265	56,461,123	57,195,173	56,243,837	57,157,208	58,874,161
	Manheim	40,463,224	47,694,118	50,184,446	48,724,657	51,248,554	51,142,516
	Stark	<u>716,031</u>	<u>687,157</u>	<u>693,605</u>	<u>924,386</u>	<u>923,574</u>	<u>936,888</u>
<b>Total Full Valuation</b>		<u>\$ 296,090,702</u>	<u>\$ 301,797,965</u>	<u>\$ 307,627,254</u>	<u>\$ 305,713,896</u>	<u>\$ 309,417,681</u>	<u>\$ 319,490,546</u>



**COMPUTATION OF FULL VALUATION**

**Using Special Equalization Ratios**

Year of District Tax Roll		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Year of Assessment Roll		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>Assessed Valuation</u></b>							
City of:	Little Falls	\$ 31,807,974	\$ 31,378,562	\$ 31,523,415	\$ 31,435,247	\$ 31,189,343	\$ 31,079,297
Towns of:	Danube	29,845,088	30,148,153	30,243,039	30,153,555	29,751,937	29,870,382
	Fairfield	2,378,801	2,380,904	2,384,900	2,396,943	2,382,924	2,387,413
	Herkimer	2,270,597	2,287,564	2,367,328	2,333,581	3,144,793	3,172,535
	Little Falls	41,340,417	41,781,231	42,324,428	42,182,878	42,296,334	42,389,396
	Manheim	28,324,257	32,432,000	34,125,423	34,107,260	34,336,531	34,265,486
	Stark	417,088	412,294	410,614	548,161	526,437	524,657
<b>Total Assessed Valuation</b>		<u>\$ 136,384,222</u>	<u>\$ 140,820,708</u>	<u>\$ 143,379,147</u>	<u>\$ 143,157,625</u>	<u>\$ 143,628,299</u>	<u>\$ 143,689,166</u>
<b><u>Special Equalization Ratios</u></b>							
City of:	Little Falls	20.41%	20.25%	20.47%	20.39%	20.16%	N/A
Towns of:	Danube	81.79%	80.59%	78.20%	76.06%	74.55%	N/A
	Fairfield	79.60%	77.36%	75.39%	74.80%	73.88%	N/A
	Herkimer	96.12%	95.67%	94.85%	94.69%	94.49%	N/A
	Little Falls	74.32%	75.84%	74.88%	75.56%	76.54%	N/A
	Manheim	67.82%	69.94%	66.96%	66.81%	66.60%	N/A
	Stark	58.96%	58.90%	58.04%	57.20%	56.44%	N/A
<b><u>Full Valuation</u></b>							
City of:	Little Falls	\$ 155,845,047	\$ 154,955,862	\$ 153,998,119	\$ 154,169,922	\$ 154,709,043	\$ -
Towns of:	Danube	36,489,899	37,409,298	38,673,963	39,644,432	39,908,702	-
	Fairfield	2,988,443	3,077,694	3,163,417	3,204,469	3,225,398	-
	Herkimer	2,362,252	2,391,099	2,495,865	2,464,443	3,328,175	-
	Little Falls	55,624,888	55,091,286	56,523,007	55,826,996	55,260,431	-
	Manheim	41,763,871	46,371,175	50,963,893	51,051,130	51,556,353	-
	Stark	707,408	699,990	707,467	958,323	932,737	-
<b>Total Full Valuation</b>		<u>\$ 295,781,808</u>	<u>\$ 299,996,403</u>	<u>\$ 306,525,732</u>	<u>\$ 307,319,715</u>	<u>\$ 308,920,839</u>	<u>\$ -</u>

Note: Special Equalization Ratios for the 2019 Assessment Roll (2019-20 School District Tax Roll) are not available until June 30, 2020.

## FORM UNDERTAKING TO PROVIDE NOTICES OF EVENTS

This undertaking to provide notice of certain designated events (the “Disclosure Undertaking”) is executed and delivered by the City School District of the City of Little Falls, a school district of the State of New York (the “Issuer”) in connection with the issuance of its **\$5,800,000 Bond Anticipation Notes, 2020** (the “Security”). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

## Section 2. Definitions

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

“Security Holder” shall mean any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

(a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change; provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Disclosure Undertaking as of **February \_\_, 2020**.

**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE  
FALLS**

By: /s/ \_\_\_\_\_  
President of the Board of Education

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**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS  
HERKIMER COUNTY, NEW YORK**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2019**

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

# **LITTLE FALLS CITY SCHOOL DISTRICT**

**Little Falls, New York**

## **FINANCIAL REPORT**

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



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Little Falls City School District  
Little Falls, New York

### **Report on the Financial Statements**

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

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

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

### ***Auditors' Responsibility***

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

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

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

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | [www.inserocpa.com](http://www.inserocpa.com)

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedules of Change in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4j and 46-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 55-57 is presented for purposes of additional analysis and is 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 financial statements.

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

**Other Reporting Required by Government Auditing Standards**

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 11, 2019

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

### **FINANCIAL HIGHLIGHTS**

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows related to the OPEB plan in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in a decrease of Government-wide expenses of \$185,586, compared to an increase of \$825,498 in 2018.
- The School District ended the year with a total net deficit of \$36,407,407, an increase of \$345,496 from the prior year. The year-end net position was composed of \$263,554 in restricted, \$14,669,645 in net investment in capital assets, and \$51,340,606 in unrestricted net deficit. The unrestricted net deficit decreased \$535,326 compared to the prior year. The unrestricted net deficit at June 30, 2019 is primarily attributable to recognition of the net accumulated OPEB liability of \$56,835,640.
- Expenses exceeded revenues by \$345,496 in 2019 compared to expenses exceeding revenues by \$1,569,033 in 2018.
- The School District records its proportionate share of the net pension asset/liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in a decrease of government wide expenses of \$136,422, compared to an increase of \$83,552 in 2018.
- The School District had \$4,609,387 in outstanding debt at year end, an increase of \$1,043,925 from the prior year. This was primarily the result of an increase in BANs of \$1,600,000, issued to fund a new capital project; partially offset by principal payments on outstanding long-term debt.
- Capital asset additions during 2019 amounted to \$1,546,738 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$1,471,909 for the current year.
- State and federal sources comprised 58.7% of total revenue, compared to 58.5% last year, while the annual tax levy, not including STAR, represented approximately 29.7% of receipts; consistent with 30.0% in 2017-2018. Remaining revenue was obtained from items such as investment earnings, charges for services, other property tax items, and refunds of prior year's expenses.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

**JUNE 30, 2019**

- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$728,962 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of \$288,324. General Fund revenues and other financing sources exceeded budgeted amounts by \$62,227.
- The School District continues to manage fund balance to promote long-term financial stability. As of June 30, 2019, the unassigned fund balance in the General Fund stands at \$2,778,995, or 12.19% of the subsequent year's budget.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, School District's Proportionate Share of the Net Pension Asset/Liability, and Changes in the School District's Total OPEB Liability and Related Ratios.

#### **District-wide Statements**

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

The two District-wide statements report the School District's net position and how it changed.

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

**JUNE 30, 2019**

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

### **Governmental Fund Financial Statements**

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

The School District's combined net deficit for the fiscal year ended June 30, 2019 increased by \$345,496. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

***Figure 1***

<b><i>Condensed Statement of Net Position</i></b>	<b><i>Governmental Activities and Total School District</i></b>		<b><i>Total Dollar Change</i></b>
	<b><i>2018</i></b>	<b><i>2019</i></b>	<b><i>2018-2019</i></b>
<i>Current Assets</i>	\$ 4,066,294	\$ 4,665,894	\$ 599,600
<i>Noncurrent Assets</i>	540,876	1,006,056	465,180
<i>Capital Assets, Net</i>	19,064,625	19,139,454	74,829
<b><i>Total Assets</i></b>	<b>23,671,795</b>	<b>24,811,404</b>	<b>1,139,609</b>
<i>Other Postemployment Benefits</i>	1,520,477	1,372,960	(147,517)
<i>Pensions</i>	5,039,702	4,612,865	(426,837)
<b><i>Total Deferred Outflows of Resources</i></b>	<b>6,560,179</b>	<b>5,985,825</b>	<b>(574,354)</b>
<i>Current Liabilities</i>	1,852,154	3,704,225	1,852,071
<i>Noncurrent Liabilities</i>	56,982,539	49,640,258	(7,342,281)
<b><i>Total Liabilities</i></b>	<b>58,834,693</b>	<b>53,344,483</b>	<b>(5,490,210)</b>
<i>Other Postemployment Benefits</i>	5,765,029	12,570,001	6,804,972
<i>Pensions</i>	1,694,163	1,290,152	(404,011)
<b><i>Total Deferred Inflows of Resources</i></b>	<b>7,459,192</b>	<b>13,860,153</b>	<b>6,400,961</b>
<i>Net Investment in Capital Assets</i>	15,499,163	14,669,645	(829,518)
<i>Restricted</i>	314,858	263,554	(51,304)
<i>Unrestricted</i>	(51,875,932)	(51,340,606)	535,326
<b><i>Total Net (Deficit)</i></b>	<b>\$ (36,061,911)</b>	<b>\$ (36,407,407)</b>	<b>\$ (345,496)</b>

The increase in current assets stems from an increase in cash and increases in amounts due from fiduciary funds, as well as other receivables.

The increase in capital assets is a result of current year capital outlay exceeding depreciation expense. The increase in noncurrent assets is primarily due to recognition of the School District's proportionate share of the New York State Teachers Retirement System (TRS) net pension asset based on the state's actuarial valuation.

The changes in deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB are related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liabilities and OPEB liabilities.

The increase in current liabilities is primarily due to increases in BANs and accounts payable.



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

Changes in noncurrent liabilities are primarily due to a current year reduction in the OPEB liability, based on an actuarial valuation of the School District's OPEB plan, as well as regular principal payments on long-term debt.

Net investment in capital assets decreased due to proceeds and depreciation expense exceeding capital outlay and debt principal payments for the current year. The decrease in restricted net position is primarily based on results of operations in the School Lunch Fund. Unrestricted net deficit decreased based on a reduction in the net GASB Statement No. 75 OPEB liability of \$185,586 in 2019, and results of operations.

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

***Figure 2***

<b><i>Changes in Net Position</i></b>	<b><i>Governmental Activities and Total School District</i></b>		<b><i>Total Dollar Change</i></b>
	<b><i>2018</i></b>	<b><i>2019</i></b>	<b><i>2018 - 2019</i></b>
<b><i>REVENUES</i></b>			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 401,578	\$ 464,604	\$ 63,026
<i>Operating Grants</i>	1,327,673	1,475,251	147,578
<i>Capital Grants</i>	47,319	-	(47,319)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	6,999,454	7,025,134	25,680
<i>Real Property Tax Items</i>	1,786,468	1,771,700	(14,768)
<i>Unrestricted State Sources</i>	12,241,204	12,390,998	149,794
<i>Use of Money and Property</i>	52,495	60,703	8,208
<i>Other General Revenues</i>	357,756	432,781	75,025
<b><i>Total Revenues</i></b>	<b>\$ 23,213,947</b>	<b>\$ 23,621,171</b>	<b>\$ 407,224</b>
<b><i>PROGRAM EXPENDITURES</i></b>			
<i>General Support</i>	\$ 4,120,612	\$ 3,633,199	\$ (487,413)
<i>Instruction</i>	18,620,619	18,255,413	(365,206)
<i>Pupil Transportation</i>	1,272,986	1,319,097	46,111
<i>School Lunch Program</i>	618,684	622,225	3,541
<i>Interest on Debt</i>	150,079	136,733	(13,346)
<b><i>Total Expenditures</i></b>	<b>\$ 24,782,980</b>	<b>\$ 23,966,667</b>	<b>\$ (816,313)</b>
<b><i>INCREASE IN NET POSITION</i></b>	<b>\$ (1,569,033)</b>	<b>\$ (345,496)</b>	<b>\$ 1,223,537</b>

Total revenues for the School District's Governmental Activities increased by \$407,224, or 1.75%, and total expenses decreased \$816,313, or 3.29%.



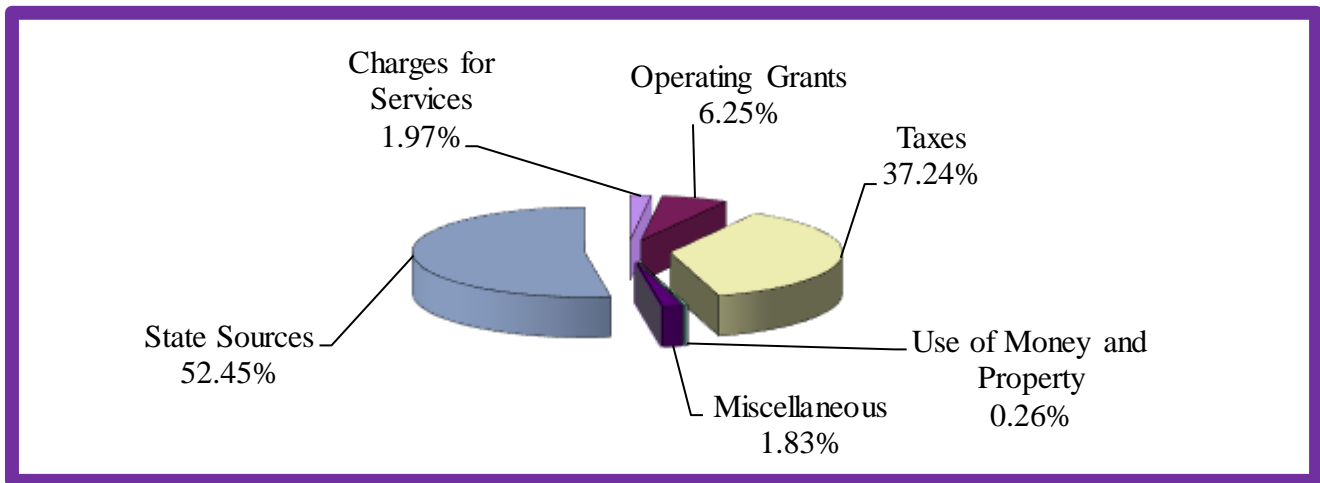
# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

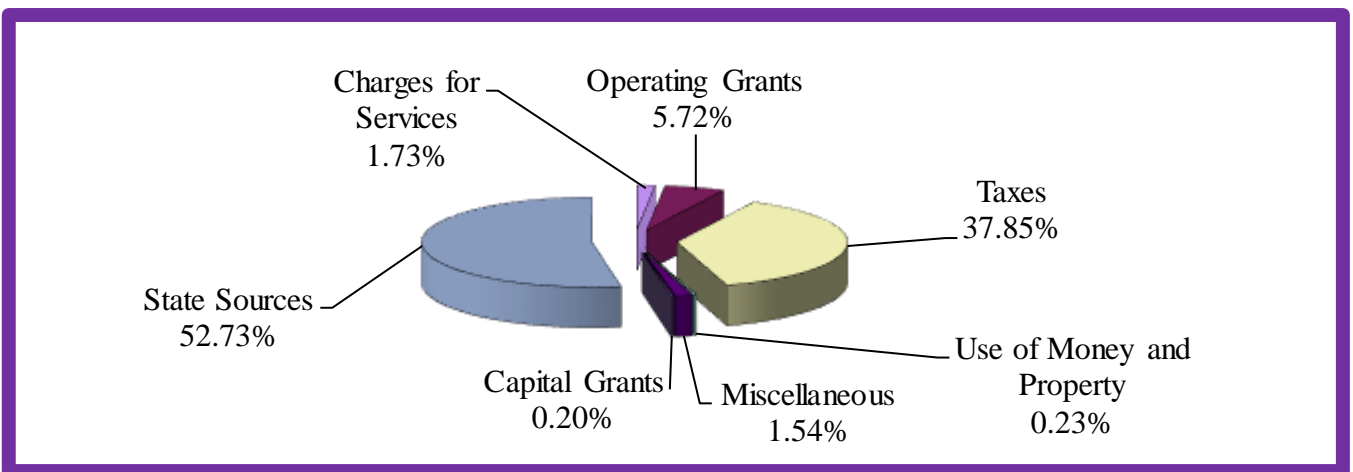
Charges for services increased due to increases in Medicaid payments collected. Operating grants increased primarily due to increases in state and federal program aid received during the current year. Capital grants decreased based on less SMART School State aid for capital projects. State sources increased primarily due to increases in general aid. Property tax increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. Use of money and property increased based on higher interest earned. The decrease in total expenses is primarily due to the net effect of GASB Statement No. 75, and No. 68 recognition in comparison to the prior year.

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

***Figure 3  
Sources of Revenue for 2019***



***Figure 4  
Sources of Revenue for 2018***

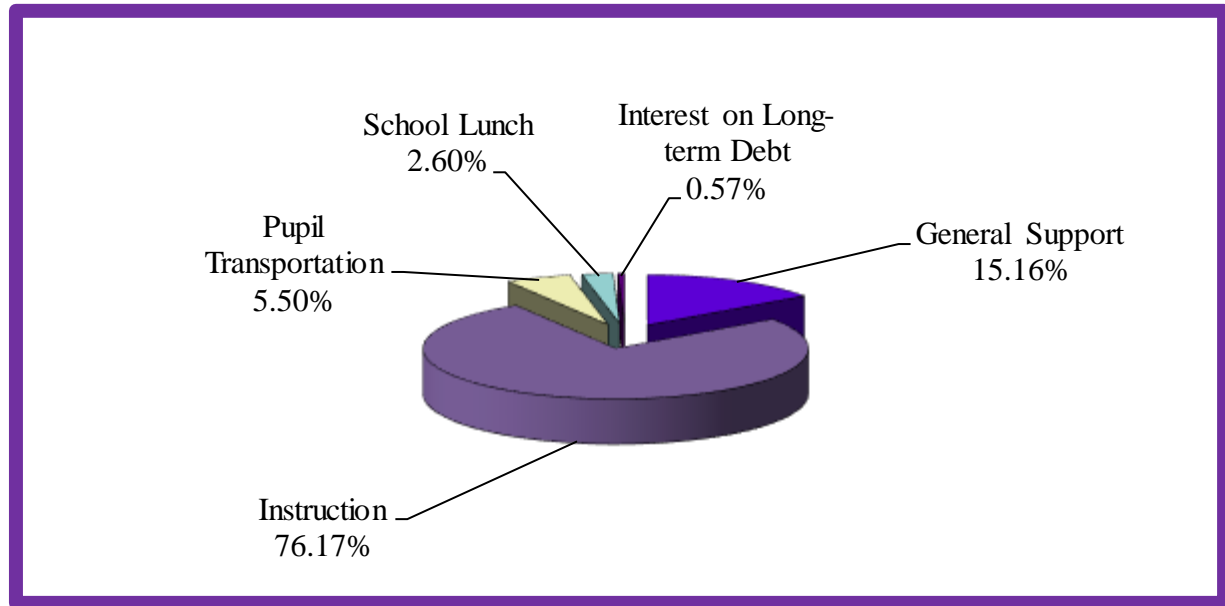


# ***LITTLE FALLS CITY SCHOOL DISTRICT***

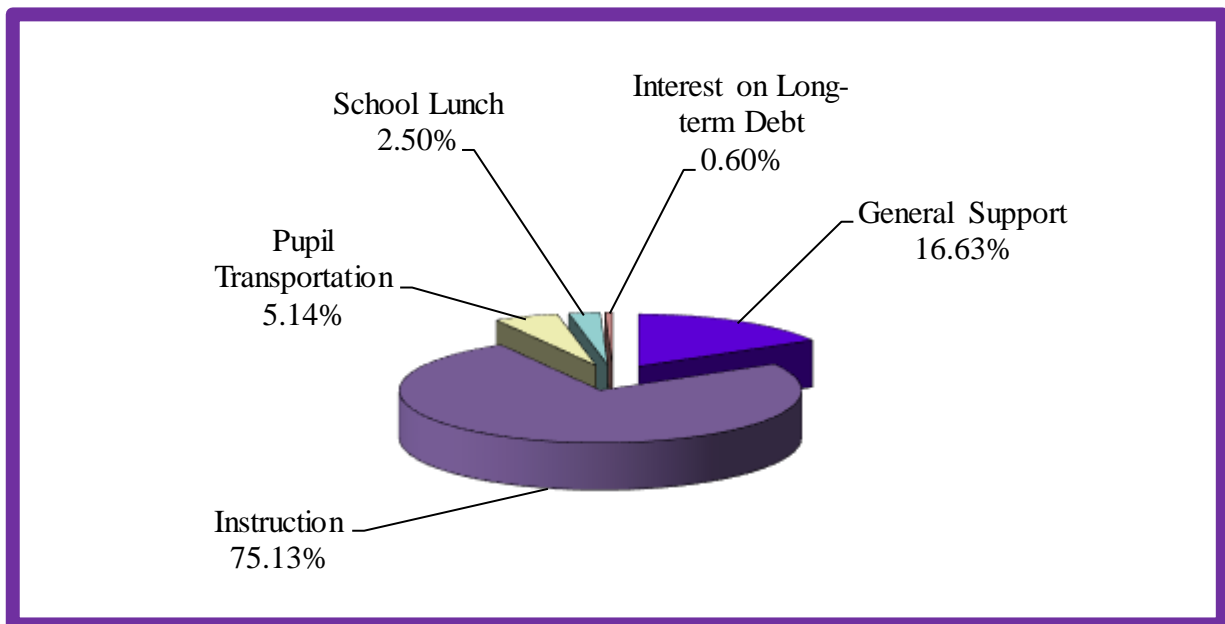
## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

***Figure 5  
Cost of Programs for 2019***



***Figure 6  
Cost of Programs for 2018***



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

Figure 7 shows the changes in fund balance for the year for the School District's Major Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$1,823,695. The \$1,230,950 decrease in fund balance is mainly a result of capital outlay exceeding revenues and other financing sources by \$1,460,422 in the Capital Projects Fund; partially offset by revenues exceeding expenditures by \$288,324 in the General Fund. The Capital Projects Fund deficit will be eliminated when short-term financing is converted to long-term. The deficit in the Special Aid Fund is due to state aid that will be received after the School District's availability period.

***Figure 7***

<b><i>Governmental Fund Balances (Deficit)</i></b>	<b><i>2018</i></b>	<b><i>2019</i></b>	<b><i>Total Dollar Change 2018-2019</i></b>
<i>General Fund</i>	\$ 2,973,174	\$ 3,261,498	\$ 288,324
<i>School Lunch Fund</i>	107,747	58,741	(49,006)
<i>Special Aid Fund</i>	(26,276)	(36,122)	(9,846)
<i>Capital Projects Fund</i>		(1,460,422)	(1,460,422)
<b><i>Total Governmental Funds Fund Balance</i></b>	<b>\$ 3,054,645</b>	<b>\$ 1,823,695</b>	<b>\$ (1,230,950)</b>

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the board reviews the transfers. Typically, these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the budget was not amended.

The School District received \$62,227 more in General Fund revenues and other financing sources than was budgeted, primarily due to higher than expected state aid. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$728,962. This is primarily due to lower than expected costs related to general support, instructional programs, and employee benefit expense.

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

# LITTLE FALLS CITY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

*Figure 8*

<i>Condensed Budgetary Comparison General Fund - 2019</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Real Property Taxes</i>	\$ 8,637,397	\$ 8,637,397	\$ 7,025,134	\$ (1,612,263)
<i>Other Tax Items</i>	122,000	122,000	1,771,700	1,649,700
<i>State Sources</i>	12,729,452	12,729,452	12,475,008	(254,444)
<i>Medicaid</i>	50,000	50,000	151,599	101,599
<i>Other, Including Financing Sources</i>	436,440	436,440	614,075	177,635
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 21,975,289</b>	<b>\$ 21,975,289</b>	<b>\$ 22,037,516</b>	<b>\$ 62,227</b>
<b>Designated Fund Balance and Prior Year Carryover Encumbrances</b>	<b>\$ 510,368</b>	<b>\$ 510,368</b>		
<b>EXPENDITURES</b>				
<i>General Support</i>	\$ 3,138,893	\$ 3,039,426	\$ 2,877,384	\$ 162,042
<i>Instruction</i>	10,304,739	10,736,131	10,534,560	201,571
<i>Pupil Transportation</i>	1,064,970	1,106,145	1,090,377	15,768
<i>Employee Benefits</i>	7,208,974	6,835,516	6,492,662	342,854
<i>Debt Service</i>	696,081	696,081	691,078	5,003
<i>Other Financing Uses</i>	72,000	72,358	70,634	1,724
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 22,485,657</b>	<b>\$ 22,485,657</b>	<b>\$ 21,756,695</b>	<b>\$ 728,962</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2019, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation, increased \$74,829 during 2019.

*Figure 9*

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2018-2019</i>
	<i>2018</i>	<i>2019</i>	
<i>Land</i>	\$ 477,202	\$ 477,202	\$ -
<i>Construction in Progress</i>	-	1,471,632	1,471,632
<i>Improvements Other than Buildings, Net</i>	623,268	542,126	(81,142)
<i>Buildings, Net</i>	16,801,021	15,602,445	(1,198,576)
<i>Equipment, Net</i>	1,163,134	1,046,049	(117,085)
<b>Total</b>	<b>\$ 19,064,625</b>	<b>\$ 19,139,454</b>	<b>\$ 74,829</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

Construction in Progress	\$ 1,471,632
Equipment	75,106
Total Additions	<u>1,546,738</u>
Less Depreciation Expense	<u>(1,471,909)</u>
<b>Net Increase in Capital Assets</b>	<b><u>\$ 74,829</u></b>

### **Debt Administration**

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$1,043,925 in 2019, as shown in *Figure 10*. This is a direct result \$1,600,000 of BAN proceeds received in the current year partially offset by the School District's continued payment of principal on outstanding serial, refunding, and statutory installment bonds and other debt.

Total outstanding indebtedness of the School District represented 30.3% of its statutory debt limit, exclusive of building aid estimates.

***Figure 10***

<b><i>Outstanding Debt</i></b>	<b><i>Governmental Activities and Total School District</i></b>		<b><i>Total Dollar Change 2018-2019</i></b>
	<b><i>2018</i></b>	<b><i>2019</i></b>	
<i>Bonds Payable</i>	\$ 3,565,462	\$ 3,009,387	\$ (556,075)
<i>Bond Anticipation Notes</i>	-	1,600,000	1,600,000
<b><i>Total</i></b>	<b>\$ 3,565,462</b>	<b>\$ 4,609,387</b>	<b>\$ 1,043,925</b>

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

#### Factors Bearing on the School District's Future

- On May 2018, School District residents approved the roughly \$30 million capital project. School District management began the design and submission stages of the project during the 2018-19 school year. The management and implementation of the capital project will be a major focus for the School District for the coming year, and probably for the next three years.
- The School District has experienced steady enrollment numbers while neighboring districts are losing population.
- The special needs population has been growing consistently over the past three years, and now constitutes almost 20% of the student body. The cost of providing services isn't always predictable, and will require building some flexibility into future budgets if the trend continues in the coming years.

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

This financial report is designed to provide the Little Falls City School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact Mr. Ashraf Allan, Business Manager, Little Falls City School District, at 15 Petrie Street, Little Falls, NY 13365; by phone at 315-823-1479 or via e-mail at [aallam@lfcSD.org](mailto:aallam@lfcSD.org).

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

### **ASSETS**

#### **Current Assets**

Cash and Cash Equivalents - Unrestricted	\$ 2,320,507
Cash and Cash Equivalents - Restricted	193,525
Due from State and Federal Governments	1,567,704
Due from Fiduciary Funds	380,976
Other Receivables	182,995
Inventories	20,187
<b>Total Current Assets</b>	<b>4,665,894</b>

#### **Noncurrent Assets**

Restricted Cash	225,000
Net Pension Asset - Proportionate Share	781,056
Capital Assets, Net:	
Nondepreciable Capital Assets	1,948,834
Depreciable Capital Assets, Net	17,190,620
<b>Total Noncurrent Assets</b>	<b>20,145,510</b>

<b>Total Assets</b>	<b>24,811,404</b>
---------------------	-------------------

### **DEFERRED OUTFLOWS OF RESOURCES**

Other Postemployment Benefits	1,372,960
Pensions	4,612,865
<b>Total Deferred Outflows of Resources</b>	<b>5,985,825</b>

### **LIABILITIES**

#### **Current Liabilities**

Accounts Payable	471,055
Due to Other Governments	394
Bond Interest and Matured Bonds	46,036
Bond Anticipation Notes Payable	1,600,000
Due to Employees' Retirement System	98,666
Due to Teachers' Retirement System	876,018

#### **Current Portion of Noncurrent Liabilities**

Bonds	553,495
Due to Employees' Retirement System	58,561
<b>Total Current Liabilities</b>	<b>3,704,225</b>

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

**Noncurrent Liabilities**

Bonds	\$ 2,455,892
Due to Employees' Retirement System	<u>217,333</u>
Compensated Absences Payable	<u>776,063</u>
Other Postemployment Benefits Liability	<u>45,638,599</u>
Net Pension Liability - Proportionate Share	<u>552,371</u>
<b>Total Noncurrent Liabilities</b>	<u>49,640,258</u>

<b>Total Liabilities</b>	<u>53,344,483</u>
--------------------------	-------------------

**DEFERRED INFLOWS OF RESOURCES**

Other Postemployment Benefits	<u>12,570,001</u>
Pensions	<u>1,290,152</u>
<b>Total Deferred Inflows of Resources</b>	<u>13,860,153</u>

**NET POSITION**

Net Investment in Capital Assets	<u>14,669,645</u>
Restricted	<u>263,554</u>
Unrestricted	<u>(51,340,606)</u>
<b>Total Net (Deficit)</b>	<u><u>\$ (36,407,407)</u></u>

*See Notes to Basic Financial Statements*



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General Support	\$ 3,633,199	\$	\$	\$	\$ (3,633,199)
Instruction	18,255,413	272,288	1,073,790		(16,909,335)
Pupil Transportation	1,319,097				(1,319,097)
School Lunch Program	622,225	192,316	401,461		(28,448)
Interest on Debt	136,733				(136,733)
<b>Total Functions and Programs</b>	<b>\$ 23,966,667</b>	<b>\$ 464,604</b>	<b>\$ 1,475,251</b>	<b>\$ -</b>	<b>(22,026,812)</b>

### **GENERAL REVENUES**

Real Property Taxes	7,025,134
Real Property Tax Items	1,771,700
Use of Money and Property	60,703
State Sources	12,390,998
Sale of Property and Compensation for Loss	5,445
Miscellaneous	427,336

### **Total General Revenues**

21,681,316

### Change in Net Position

(345,496)

Total Net (Deficit) - Beginning of Year

(36,061,911)

### **Total Net (Deficit) - End of Year**

**\$(36,407,407)**

*See Notes to Basic Financial Statements*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Revenue Funds</b>	
		<b>Special Aid Fund</b>	<b>School Lunch Fund</b>
<b>ASSETS</b>			
Cash - Unrestricted	\$ 1,437,308	\$ 106,039	\$ 6,898
Cash - Restricted	278,947		
Due from Other Funds	1,162,021		53,947
State and Federal Aid	1,192,651	346,063	28,990
Due from Fiduciary Funds	380,976		
Other Receivables	182,995		
Inventories			20,187
<b>Total Assets</b>	<b>\$ 4,634,898</b>	<b>\$ 452,102</b>	<b>\$ 110,022</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 344,769	\$ 1,290	\$ 887
Due to Other Funds	53,947	465,868	50,000
Due to Other Governments			394
Bond Anticipation Notes Payable			
Due to Teachers' Retirement System	98,666		
Due to Employees' Retirement System	876,018		
<b>Total Liabilities</b>	<b>1,373,400</b>	<b>467,158</b>	<b>51,281</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - State Aid		21,066	
<b>Total Inflows of Resources</b>	<b>-</b>	<b>21,066</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable			20,187
Restricted	225,000		38,554
Assigned	257,503		
Unassigned	2,778,995	(36,122)	
<b>Total Fund Balances (Deficit)</b>	<b>3,261,498</b>	<b>(36,122)</b>	<b>58,741</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,634,898</b>	<b>\$ 452,102</b>	<b>\$ 110,022</b>

*See Notes to Basic Financial Statements*

<u>Major Funds</u>	
Capital Projects Fund	Total Governmental Funds
\$ 770,262	\$ 2,320,507
139,578	418,525
	1,215,968
	1,567,704
	380,976
	182,995
	20,187
<b>\$ 909,840</b>	<b>\$ 6,106,862</b>
\$ 124,109	\$ 471,055
646,153	1,215,968
	394
1,600,000	1,600,000
	98,666
	876,018
2,370,262	4,262,101
	21,066
-	21,066
	20,187
	263,554
	257,503
(1,460,422)	1,282,451
(1,460,422)	1,823,695
<b>\$ 909,840</b>	<b>\$ 6,106,862</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

**Fund Balances - Total Governmental Funds** **\$ 1,823,695**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 43,407,248	
Less Accumulated Depreciation	<u>(24,267,794)</u>	19,139,454

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 781,056	
ERS Net Pension Liability - Proportionate Share	<u>(552,371)</u>	228,685

Deferred outflows of resources, including OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue, OPEB, and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Unavailable Revenue	\$ 21,066	
OPEB Deferred Outflows of Resources	1,372,960	
OPEB Deferred Inflows of Resources	(12,570,001)	
ERS Deferred Outflows of Resources - Pension	443,307	
TRS Deferred Outflows of Resources - Pension	4,169,558	
ERS Deferred Inflows of Resources - Pension	(179,555)	
TRS Deferred Inflows of Resources - Pension	<u>(1,110,597)</u>	(7,853,262)

Long-term bond payable liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable		(3,009,387)
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Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Due to Employees' Retirement System	\$ (275,894)	
Compensated Absences	(776,063)	
Other Postemployment Benefits Liability	(45,638,599)	
Accrued Interest on Long-term Debt	<u>(46,036)</u>	<u>(46,736,592)</u>

**Net (Deficit) of Governmental Activities** **\$ (36,407,407)**

*See Notes to Basic Financial Statements*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Revenue Funds</b>	
		<b>Special Aid Fund</b>	<b>School Lunch Fund</b>
<b>REVENUES</b>			
Real Property Taxes	\$ 7,025,134	\$	\$
Real Property Tax Items	1,771,700		
Charges for Services	120,689		
Use of Money and Property	60,605		98
Sale of Property and Compensation for Loss	5,445		
Miscellaneous	427,336		19,769
State Sources	12,475,008	192,666	11,667
Medicaid Reimbursement	151,599		
Federal Sources		808,277	389,794
Sales - School Lunch			172,547
<b>Total Revenues</b>	<b>22,037,516</b>	<b>1,000,943</b>	<b>593,875</b>
<b>EXPENDITURES</b>			
General Support	2,874,274		
Instruction	10,530,167	1,023,147	362,385
Pupil Transportation	1,090,377		
Employee Benefits	6,492,662		25,543
Debt Service:			
Principal	556,075		
Interest	135,003		
Cost of Sales			254,953
Capital Outlay			
<b>Total Expenditures</b>	<b>21,678,558</b>	<b>1,023,147</b>	<b>642,881</b>
Excess of Revenues Over Expenditures	358,958	(22,204)	(49,006)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Premium on Obligations			
Operating Transfers In		12,358	
Operating Transfers (Out)	(70,634)		
<b>Total Other Sources (Uses)</b>	<b>(70,634)</b>	<b>12,358</b>	<b>-</b>
Net Change in Fund Balances	288,324	(9,846)	(49,006)
Fund Balances (Deficit) - Beginning of Year	2,973,174	(26,276)	107,747
<b>Fund Balances (Deficit) - End of Year</b>	<b>\$ 3,261,498</b>	<b>\$ (36,122)</b>	<b>\$ 58,741</b>

*See Notes to Basic Financial Statements*

<b><u>Major Funds</u></b>	
<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$	\$ 7,025,134
	1,771,700
	120,689
	60,703
	5,445
	447,105
	12,679,341
	151,599
	1,198,071
	172,547
-	23,632,334
	2,874,274
	11,915,699
	1,090,377
	6,518,205
	556,075
	135,003
	254,953
1,529,908	1,529,908
1,529,908	24,874,494
(1,529,908)	(1,242,160)
11,210	11,210
58,276	70,634
	(70,634)
69,486	11,210
(1,460,422)	(1,230,950)
-	3,054,645
<b>\$ (1,460,422)</b>	<b>\$ 1,823,695</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,230,950)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Additions	\$ 1,546,738	
Depreciation Expense	<u>(1,471,909)</u>	74,829

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are, also, not reported in the Governmental Funds.

ERS	\$ 199,842	
TRS	<u>(63,420)</u>	136,422

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which principal repayment exceeds proceeds from debt.

Principal Payments		556,075
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Long-term liabilities, such as those associated with employee benefits, and retainage payable are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are also not reported in the Governmental Funds.

Change in Amount Due to Employees' Retirement System	\$ 58,561	
Change in Compensated Absences	(101,916)	
Change in Other Postemployment Benefits Liability	<u>185,586</u>	142,231

Certain revenue in the Governmental Funds is not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected. This is the change in unavailable revenue from the previous year.

(11,163)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable changed from the prior year.

(12,940)

**Net Change in Net Position of Governmental Activities** **\$ (345,496)**

*See Notes to Basic Financial Statements*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash - Unrestricted	\$	\$ 473,302
Cash - Restricted	180,920	
Investments - Restricted	194,653	
<b>Total Assets</b>	<b>375,573</b>	<b>\$ 473,302</b>
<b>LIABILITIES</b>		
Due to Governmental Funds		\$ 380,976
Extraclassroom Activity balances		64,660
Other Liabilities		27,666
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 473,302</b>
<b>NET POSITION</b>		
Reserved for scholarships	<b>\$ 375,573</b>	

*See Notes to Basic Financial Statements*



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 8,890
Investment Earnings	8,182
<b>Total Additions</b>	<b>17,072</b>
<b>DEDUCTIONS</b>	
Scholarships and Awards	19,456
Change in Net Position	(2,384)
Net Position - Beginning of Year	377,957
<b>Net Position - End of Year</b>	<b>\$ 375,573</b>

*See Notes to Basic Financial Statements*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

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

**Reporting Entity**

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

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

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

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

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

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 15 Petrie St. Little Falls, NY 13365.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Joint Venture**

The School District is one of the component school districts in the Herkimer County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. 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 school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statement of the Herkimer-Fulton-Hamilton-Otsego Counties BOCES may be obtained by contacting the Executive Director of Business, Herkimer-Fulton-Hamilton-Otsego BOCES, 352 Gros Boulevard, Herkimer, NY 13350.

#### **Basis of Presentation District-wide Financial Statements**

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

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs. 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Basis of Presentation Governmental Fund Financial Statements**

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

The School District reports the following Major Governmental Funds:

- General Fund: The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
  - Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
  - School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.
- Capital Projects Fund: Accounts for the financial resources used for renovation of the School District's educational complex.

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

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholdings.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

#### **Measurement Focus and Basis of Accounting**

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 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.

#### **Cash and Investments**

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

#### **Accounts Receivable**

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Due To/From Other Funds**

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

#### **Inventories and Prepaid Items**

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

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures and is reported as non-spendable fund balance in the governmental fund financial statements.

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at estimated fair value at the time received. The School District uses the straight-line method of depreciation.

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 financial statements are as follows:

	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
Buildings	\$ 50,000	15-50 Years
Building Improvements	20,000	15-50 Years
Furniture and Equipment	5,000	8-20 Years
Site Improvements	5,000	15-50 Years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Vested Employee Benefits - Compensated Absences**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. School District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on rates and limits specified in the individual employment contracts.

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

#### **Other Postemployment Benefits**

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

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

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

#### **Restricted Resources**

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and OPEB plans and other postemployment benefits are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and OPEB plans are described in Notes 10 and 11, respectively.

#### **Unearned and Unavailable Revenues**

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

The Governmental Fund financial statements report unavailable revenues as a deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable revenues is removed and revenues are recorded.

#### **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 of current financial resources. Claims and judgements, other postemployment benefit payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Equity Classifications - District-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

#### **Equity Classification - Governmental Fund Financial Statements**

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

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Equity Classification - Governmental Fund Financial Statements - Continued**

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

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

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

#### **Legally Adopted Reserves**

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

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.

#### **Property Taxes - Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2018. Taxes were collected during the period September 1, 2018 to November 1, 2018.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

#### **Property Taxes - Enforcement**

Uncollected real property taxes are subsequently enforced by the city and county in which the School District is located. An amount representing uncollected real property taxes must be transmitted by the city to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable. There were no taxes receivable or associated deferred inflows of resources at June 30, 2019.

#### **Interfund Transfers**

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

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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, other postemployment benefits payable, potential contingent liabilities and useful lives of long-lived assets.

#### **New Accounting Standards**

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

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ended June 30, 2019.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ended June 30, 2019. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

#### **Future Changes in Accounting Standards**

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2020.
- GASB has issued Statement No. 91, "Conduit Debt Obligations" effective for the year ending June 30, 2022.

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

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

During the year ended June 30, 2019, the School District's share of BOCES aid amounted to \$1,311,586. The School District was billed \$2,693,648, which does not include mutual funds for BOCES administration and program costs. Financial statements for the Herkimer County BOCES are available from the BOCES administrative office at 352 Gros Blvd, Herkimer, NY 13350-1446.

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it.

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

***Note 3***

**Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued**

The School District's aggregate bank and financial institutions balances of \$3,992,708, which does not include mutual funds, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted Cash and Investments at June 30, 2019 consisted of the following:

Restricted for General Fund Reserves	\$ 225,000
Restricted for School Lunch	53,947
Restricted for Unspent Debt	<u>139,578</u>
 Total Governmental Funds	 <u>418,525</u>
 Private Purpose Trust Fund	 <u>375,573</u>
 <b>Total</b>	 <b><u><u>\$ 794,098</u></u></b>

FASB ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

***Level 1*** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

***Level 2*** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

***Level 3*** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued**  
The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District has investments in donated Scholarship Funds. The School District chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as below:

<b>Investments</b>	<b>Cost</b>	<b>Carrying Amount Fair Value</b>	<b>Type of Investment</b>	<b>Level</b>
Private Purpose Trust Fund	\$ 120,146	\$ 120,146	U.S. Mortgage Backed Securities	1
Private Purpose Trust Fund	<u>74,507</u>	<u>74,507</u>	Certificate of Deposit	2
<b>Total</b>	<b><u>\$ 194,653</u></b>	<b><u>\$ 194,653</u></b>		

The certificate of deposit is a one-year certificate of deposit maturing on November 3, 2019 at an interest rate of 0.10%.

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

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 4* Other Receivables**

Other receivables consisted of the following, which are stated at net realizable value.

	<b>Description</b>	<b>Amount</b>
General Fund	Due From Other School Districts	\$ 105,000
	Babinec Contribution	68,556
	Other Miscellaneous	9,439
	Total General Fund	182,995
<b>Total</b>		<b>\$ 182,995</b>

### ***Note 5* Interfund Balances and Activity**

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

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Revenues</b>	<b>Interfund Expenditures</b>
General Fund	\$ 1,162,021	\$ 53,947	\$	\$ 70,634
School Lunch Fund	53,947	50,000		
Special Aid Fund		465,868	12,358	
Capital Fund		646,153	58,276	
<b>Total</b>	<b>\$ 1,215,968</b>	<b>\$ 1,215,968</b>	<b>\$ 70,634</b>	<b>\$ 70,634</b>

The Agency Fund also owes the General Fund \$380,976.

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

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The General Fund also loans funds to the Capital Projects Fund, as needed, in anticipation of future financing. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 6 Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reclassifications and Disposals</b>	<b>Ending Balance</b>
Capital Assets That Are Not Depreciated:				
Land	\$ 477,202	\$	\$	\$ 477,202
Construction in Progress	-	1,471,632		1,471,632
Total Nondepreciable Historical Cost	477,202	1,471,632	-	1,948,834
Capital Assets That Are Depreciated:				
Buildings	38,519,046			38,519,046
Improvements Other Than Buildings	926,837			926,837
Furniture and Equipment	1,937,425	75,106		2,012,531
Total Depreciable Historical Cost	41,383,308	75,106	-	41,458,414
Total Historical Cost	41,860,510	1,546,738	-	43,407,248
Less Accumulated Depreciation:				
Buildings	(21,718,025)	(1,198,576)		(22,916,601)
Improvements Other Than Buildings	(303,569)	(81,142)		(384,711)
Furniture and Equipment	(774,291)	(192,191)		(966,482)
Total Accumulated Depreciation	(22,795,885)	(1,471,909)	-	(24,267,794)
<b>Capital Assets, Net</b>	<b>\$ 19,064,625</b>	<b>\$ 74,829</b>	<b>\$ -</b>	<b>\$ 19,139,454</b>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 51,390
Instruction	1,340,751
Pupil Transportation	74,710
School Lunch Program	5,058
<b>Total</b>	<b>\$ 1,471,909</b>



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

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

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

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

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
2019 BAN	3.00%	02/07/2020	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000
<b>Total</b>			<b>\$ -</b>	<b>\$ 1,600,000</b>	<b>\$ -</b>	<b>\$ 1,600,000</b>

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

(Less) Premium on BANs	\$ (11,210)
Plus Interest Accrued in the Current Year	18,933
<b>Total</b>	<b>\$ 7,723</b>

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

At June 30, 2019, the total outstanding indebtedness of the School District represented 30.3% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds (SIBs) - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. SIBs are sometimes issued directly with a financial institution or investor and are not offered for public sale. There are no terms that present additional risk to the School District associated with these direct borrowings or placements.

# LITTLE FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
<b>Bonds</b>				
2010 Renovation Bond	04/15/2010	04/15/2025	3.75%	\$ 2,770,000
2014 SIB	08/27/2014	08/27/2019	2.13%	9,766
2015 SIB	08/14/2015	08/14/2020	3.00%	92,420
2016 SIB	10/07/2016	10/07/2021	3.10%	38,625
2018 SIB	09/22/2017	09/22/2022	2.60%	98,576
<b>Total</b>				<b><u>\$ 3,009,387</u></b>

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

Interest Paid	\$ 135,003
(Less) Interest Accrued in the Prior Year	(33,096)
Plus Interest Accrued in the Current Year	<u>27,103</u>
<b>Total</b>	<b><u>\$ 129,010</u></b>

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

Long-term liability balances and activity for the year ended June 30, 2019 are summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	<u>\$ 3,565,462</u>	<u>\$ -</u>	<u>\$ (556,075)</u>	<u>\$ 3,009,387</u>	<u>\$ 553,495</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 553,495	\$ 115,203	\$ 668,698
2021	558,728	95,318	654,046
2022	532,519	75,080	607,599
2023	539,645	54,241	593,886
2024	530,000	33,000	563,000
2025	<u>295,000</u>	<u>11,800</u>	<u>306,800</u>
<b>Total</b>	<b><u>\$ 3,009,387</u></b>	<b><u>\$ 384,642</u></b>	<b><u>\$ 3,394,029</u></b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 9* Other Long-term Obligations**

- Due to Retirement Systems: Represents amounts to be amortized for a portion of the School District's prior years' required contributions to the New York State Employees' Retirement system. This liability is liquidated from the General and School Lunch Funds. See Note 10 for further information.
- Compensated Absences: Represents unpaid accumulated sick and vacation leave. This liability is liquidated from the General and School Lunch Funds. See Note 1 for further information.

Activity during 2018-2019 consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Compensated Absences	\$ 674,147	\$ 101,916	\$	\$ 776,063
Due to Employees' Retirement System	334,455		(58,561)	275,894
<b>Total Long-term Obligations</b>	<b>\$ 1,008,602</b>	<b>\$ 101,916</b>	<b>\$ (58,561)</b>	<b>\$ 1,051,957</b>

The following is a summary of the maturity of amounts due to Employees' Retirement System:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>
2020	\$ 58,561
2021	58,561
2022	58,561
2023	49,760
2024	34,242
2025	16,209
<b>Total</b>	<b>\$ 275,894</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

#### **Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)(System)**

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

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

**Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)(System)**

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

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

**Summary of Significant Accounting Policies**

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

**Contributions**

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

<b>Year</b>	<b>ERS</b>	<b>TRS</b>
<b>2019</b>	<b>\$ 403,630</b>	<b>\$ 724,907</b>
2018	405,905	801,495
2017	394,211	866,818

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

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

	<b>ERS</b>	<b>TRS</b>
Actuarial Valuation Date	4/01/2018	6/30/2017
Net Pension Asset/Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of Plan's Total Net Pension Asset/Liability	552,371	(781,056)
School District's Share of the Net Pension Asset/Liability	0.007796%	0.043194%

# LITTLE FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

For the year ended June 30, 2019, the School District recognized pension expense of \$408,490 for ERS and \$589,191 for TRS in the District-wide financial statements. At June 30, 2019, the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 108,773	\$ 583,677	\$ 37,080	\$ 105,727
Changes of Assumptions	138,844	2,730,305		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments			141,769	867,032
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	97,024	31,499	706	137,838
School District's Contributions Subsequent to the Measurement Date	98,666	824,077		
<b>Total</b>	<b>\$ 443,307</b>	<b>\$ 4,169,558</b>	<b>\$ 179,555</b>	<b>\$ 1,110,597</b>

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

<b>Year Ending</b>	<b>ERS</b>	<b>TRS</b>
2020	\$ 151,116	\$ 765,895
2021	(80,833)	514,545
2022	10,666	39,071
2023	84,137	512,705
2024		337,747
Thereafter		64,921

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

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



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

**Actuarial Assumptions - Continued**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Measurement Date	<b>ERS</b> March 31, 2019	<b>TRS</b> June 30, 2018
<b>Asset Type</b>		
Domestic Equities	4.6%	5.8%
International Equities	6.4%	7.3%
Global Equities		6.7%
Real Estate	5.6%	4.9%
Private Equity/Alternative Investments	7.5%	8.9%
Absolute Return Strategies	3.8%	
Opportunistic Portfolio	5.7%	
Real Assets	5.3%	
Cash	(0.3)%	
Inflation-indexed Bonds	1.3%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.8%
Real Estate Debt		2.8%
High-yield Fixed Income Securities		3.5%
Mortgages and Bonds	1.3%	
Short-term		0.3%

**Discount Rate**

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

# LITTLE FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 2,415,056	\$ 552,371	\$ (1,012,416)
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<b>TRS</b>			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 5,365,985	\$ (781,056)	\$ (5,930,569)

**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:

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$98,666.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$876,018.

#### **Effect on Net Position**

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
<b>ERS</b>			
Net Pension Liability	\$ 246,439	\$ 305,932	\$ 552,371
Deferred Outflows of Resources	(801,811)	358,504	(443,307)
Deferred Inflows of Resources	780,571	(601,016)	179,555
Subtotal	<u>225,199</u>	<u>63,420</u>	<u>288,619</u>
<b>TRS</b>			
Net Pension Asset/Liability	(315,876)	(465,180)	(781,056)
Deferred Outflows of Resources	(4,237,891)	68,333	(4,169,558)
Deferred Inflows of Resources	913,592	197,005	1,110,597
Subtotal	<u>(3,640,175)</u>	<u>(199,842)</u>	<u>(3,840,017)</u>
<b>Total Effect on Net Position</b>	<b><u>\$ (3,414,976)</u></b>	<b><u>\$ (136,422)</u></b>	<b><u>\$ (3,551,398)</u></b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 11* Postemployment Benefits Other than Pensions (OPEB)**

#### **General Information about the OPEB Plan**

Plan Description - The School District provides medical, dental, and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during postemployment. Nevertheless, both types of benefits constitute compensation for employee services. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

Retirees and Survivors	160
Active Employees	<u>197</u>
<b>Total</b>	<b><u><u>357</u></u></b>

#### **Total OPEB Liability**

The School District's total OPEB liability of \$45,638,599 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

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

Single Discount Rate (Source: Bond Buyer Weekly 20-Bond GO Index)	3.87%
Rate of Inflation	2.40%
Salary Scale	3.50%
Healthcare Cost Trend Rate Pre-65	13.50% to 4.13%
Healthcare Cost Trend Rate Post-65	6.00% to 4.13%
Election Percentage Retiree and Surviving Spouse	100.00%
Election Percentage Retiree Spouse	85.00%
Marriage Rate	70.00%

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### **Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued**

#### **Total OPEB Liability - Continued**

The long-term bond rate is based on the Bond Buyer Weekly 20-Bond GO Index rate as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2018 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation (December 2017). Please refer to Exhibits 6-1 through 6-13 for the complete turnover tables.

Health Care Cost Trend rates were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model (v2019\_b). The short term (first 4 years) bend rates were based on the recent premium rate history for Little Falls CSD. The long-term (after 4 years) Trend rates were based on the following assumptions:

Rate of Inflation: 2.4%  
Rate of Growth in Real Income / GDP per Capita: 1.5%  
Extra Trend due to Technology and Other Factors: 1.2%  
Health Share of GDP Resistance Point 25%

#### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2018</b>	<b><u>\$ 52,776,674</u></b>
<b>Changes for the Year</b>	
Service Cost	1,537,744
Interest Cost	1,927,950
Changes of Benefit Terms	640,307
Differences Between Expected and Actual Experience	(3,891,138)
Changes in Assumptions or Other Inputs	(5,832,461)
Benefit Payments	<u>(1,520,477)</u>
Net Change	<u>(7,138,075)</u>
<b>Balance at June 30, 2019</b>	<b><u>\$ 45,638,599</u></b>

# **LITTLE FALLS CITY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### **Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60% at the measurement date of June 30, 2017 to 3.87% in June 30, 2018.

#### **Changes in the Total OPEB Liability - Continued**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	<b>1% Decrease (2.87%)</b>	<b>Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB Liability	\$ 53,557,879	\$ 45,638,599	\$ 39,304,619

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 38,289,427	\$ 45,638,599	\$ 55,200,900

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$1,187,374.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$	\$ 3,240,446
Changes in Assumptions or Other Inputs		9,329,555
Contributions Subsequent to Measurement Date	1,372,960	
<b>Total</b>	<b>\$ 1,372,960</b>	<b>\$ 12,570,001</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued**

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

<b>Fiscal Year</b>	
<b>Ending June 30,</b>	<b>Amount</b>
2020	\$ (2,918,627)
2021	(2,918,627)
2022	(2,918,627)
2023	(2,220,621)
2024 and thereafter	(1,593,499)

**Effect on Net Position**

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
Other Postemployment Benefits Liability	\$52,776,674	\$ (7,138,075)	\$45,638,599
Deferred Outflows of Resources	(1,520,477)	147,517	(1,372,960)
Deferred Inflows of Resources	5,765,029	6,804,972	12,570,001
<b>Total Effect on Net Position</b>	<b>\$57,021,226</b>	<b>\$ (185,586)</b>	<b>\$56,835,640</b>

**Note 12 Commitments and Contingencies**

**Risk Financing**

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

**Worker's Compensation**

The School District participates in the Madison, Oneida, and Herkimer Workers' Compensation Consortium (Plan) for its workers' compensation insurance coverage. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control system. School Districts joining the plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by submitting a notice of withdrawal 120 days prior to the Plan's year end.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

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

#### **Worker's Compensation - Continued**

Plan members include 31 other school districts and 9 other governmental units, including BOCES, with the School District bearing its proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

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

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$86,229.

#### **Other Items**

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

The School District is responsible for non-resident tuition for children who resided in the School District at the time of foster care placement in other school districts in accordance with §3202(4)(a) of the Education Law. In some cases, the School District may not be notified of this until subsequent to year end. Based on past experience, the School District's administration believes these expenditures will be immaterial.



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 13* Fund Balance Detail**

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

	<b>General Fund</b>	<b>School Lunch Fund</b>
<b>Nonspendable</b>		
Inventory	\$	\$ 20,187
<b>Total Nonspendable Fund Balance</b>	<b>\$ -</b>	<b>\$ 20,187</b>
<b>Restricted</b>		
Reserve for Retirement Contributions	\$ 225,000	\$
School Lunch		38,554
<b>Total Nonspendable Fund Balance</b>	<b>\$ 225,000</b>	<b>\$ 38,554</b>
<b>Assigned</b>		
Appropriated for Next Year's Budget	\$ 250,000	\$
Encumbered for:		
General Support	3,110	
Instruction	4,393	
<b>Total Assigned Fund Balance</b>	<b>\$ 257,503</b>	<b>\$ -</b>

### ***Note 14* Stewardship, Compliance, and Accountability**

#### **Compliance with Real Property Tax Law §1318**

As described in Note 1, Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. The School District's unexpended surplus at June 30, 2019 exceeded this limit by \$1,867,014. The excess was largely the result of unanticipated revenue and cost savings. School District management has discussed several options to address the excess fund balance issue.

#### **Deficit Net Position**

At June 30, 2019, the District-wide Statement of Net Position had a deficit net position of \$36,407,407. This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. (See Note 11.) This deficit is not expected to be eliminated during the normal course of operations.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 14* Stewardship, Compliance, and Accountability - Continued**

#### **Deficit Fund Balance**

At June 30, 2019, the Capital Fund had a deficit fund balance of \$1,460,422. This is primarily the result of expenditure of short-term financing on capital outlay projects. This deficit is expected to be eliminated as short-term financing is converted to long term debt.

At June 30, 2019, the Special Aid Fund had a deficit fund balance of \$36,122. This is primarily the result of expenditure of unavailable revenues and is expected to be eliminated as state and federal grants meet revenue recognition requirements.

### ***Note 15* Tax Abatements**

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the Herkimer County IDA (HCIDA).

HCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$187,160, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$125,976.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real Property Taxes	\$ 8,637,397	\$ 8,637,397	\$ 7,025,134	\$(1,612,263)
Other Tax Items	122,000	122,000	1,771,700	1,649,700
Charges for Services	141,500	141,500	120,689	(20,811)
Use of Money and Property	51,500	51,500	60,605	9,105
Sale of Property and Compensation for Loss			5,445	5,445
Miscellaneous	243,440	243,440	427,336	183,896
<b>Total Local Sources</b>	9,195,837	9,195,837	9,410,909	215,072
State Sources	12,729,452	12,729,452	12,475,008	(254,444)
Medicaid Reimbursement	50,000	50,000	151,599	101,599
<b>Total Revenues</b>	21,975,289	21,975,289	<b>\$ 22,037,516</b>	<b>\$ 62,227</b>
Appropriated Fund Balance	510,368	510,368		
<b>Total Revenues, Appropriated Reserves, and Designated Fund Balance</b>	<b>\$ 22,485,657</b>	<b>\$ 22,485,657</b>		

*See Notes to Required Supplementary Information*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b>Original Budget</b>	<b>Final Budget</b>
<b>EXPENDITURES</b>		
<b>General Support</b>		
Board of Education	\$ 22,778	\$ 22,778
Central Administration	208,024	223,710
Finance	340,734	342,415
Staff	40,858	53,001
Central Services	1,886,217	1,757,240
Special Items	640,282	640,282
<b>Total General Support</b>	<b>3,138,893</b>	<b>3,039,426</b>
<b>Instruction</b>		
Instruction, Administration, and Improvement	735,123	802,389
Teaching - Regular School	5,414,858	5,747,035
Programs for Children with Handicapping Conditions	2,062,964	2,051,710
Occupational Education	504,930	505,745
Teaching - Special School	88,908	99,348
Instructional Media	760,545	784,625
Pupil Services	737,411	745,279
<b>Total Instruction</b>	<b>10,304,739</b>	<b>10,736,131</b>
Pupil Transportation	1,064,970	1,106,145
Employee Benefits	7,208,974	6,835,516
<b>Debt Service</b>		
Principal	556,077	556,077
Interest	140,004	140,004
<b>Total Debt Service</b>	<b>696,081</b>	<b>696,081</b>
<b>Total Expenditures</b>	<b>22,413,657</b>	<b>22,413,299</b>
<b>OTHER FINANCING USES</b>		
Operating Transfers Out	72,000	72,358
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 22,485,657</b>	<b>\$ 22,485,657</b>
Net Change in Fund Balances		
Fund Balance - Beginning of Year		
<b>Fund Balance - End of Year</b>		

*See Notes to Required Supplementary Information*

<u>Actual</u>	<u>Encumbrances</u>	<u>Favorable (Unfavorable)</u>
\$ 18,965	\$	\$ 3,813
216,210		7,500
292,716		49,699
53,001		-
1,661,481	3,110	92,649
631,901		8,381
2,874,274	3,110	162,042
801,719	670	-
5,746,034	1,000	1
1,946,506		105,204
505,745		-
99,348		-
766,817	2,723	15,085
663,998		81,281
10,530,167	4,393	201,571
1,090,377		15,768
6,492,662		342,854
556,075		2
135,003		5,001
691,078	-	5,003
21,678,558	7,503	727,238
70,634	-	1,724
21,749,192	<u>\$ 7,503</u>	<u>\$ 728,962</u>
288,324		
2,973,174		
<u>\$ 3,261,498</u>		

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Contractually Required Contribution	<b>\$ 403,630</b>	\$ 405,905	\$ 394,211
Contributions in Relation to the Contractually Required Contribution	<b>(403,630)</b>	(405,905)	(394,211)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Payroll for Year Ending June 30,	<b>2,448,230</b>	2,434,303	2,275,351
Contributions as a Percentage of Covered Payroll	<b>16.5%</b>	16.7%	17.3%

\*Information Unavailable

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

Contractually Required Contribution	<b>\$ 824,077</b>	\$ 724,907	\$ 801,495
Contributions in Relation to the Contractually Required Contribution	<b>(824,077)</b>	(724,907)	(801,495)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Payroll for Year Ending June 30,	<b>7,759,670</b>	7,397,010	6,838,695
Contributions as a Percentage of Covered Payroll	<b>10.6%</b>	9.8%	11.7%

\*Information Unavailable

*See Notes to Required Supplementary Information*

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<u>\$ 427,807</u>	<u>\$ 421,959</u>	<u>\$ 388,379</u>	<u>\$ 422,210</u>	<u>\$ 292,131</u>	<u>\$ 213,837</u>	<u>\$ 129,652</u>
(427,807)	(421,959)	(388,379)	(422,210)	(292,131)	(213,837)	(129,652)
-	-	-	-	-	-	-
2,099,339	2,059,887	1,911,686	*	*	*	*
20.4%	20.5%	20.3%	*	*	*	*
\$ 866,818	\$ 1,107,491	\$ 986,605	\$ 684,687	\$ 676,383	\$ 532,571	\$ 395,128
(866,818)	(1,107,491)	(986,605)	(684,687)	(676,383)	(532,571)	(395,128)
-	-	-	-	-	-	-
6,537,089	6,317,690	6,071,415	5,782,829	6,088,056	6,178,318	6,383,328
13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
School District's Proportion of the Net Pension Asset/Liability	<b>0.007796%</b>	0.007640%	0.0074516%	0.0074028%	0.0075344%
School District's Proportionate Share of the Net Pension Asset/Liability	<b>\$ 552,371</b>	\$ 246,439	\$ 700,172	\$ 1,188,176	\$ 254,530
School District's Covered Payroll	<b>2,353,165</b>	2,308,940	2,174,139	2,074,406	2,055,407
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	<b>23.5%</b>	10.7%	32.2%	57.3%	12.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	<b>96.3%</b>	98.2%	94.7%	90.7%	97.9%

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

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
School District's Proportion of the Net Pension Asset/Liability	<b>0.043194%</b>	0.041557%	0.041266%	0.041060%	0.041060%
School District's Proportionate Share of the Net Pension Asset/Liability	<b>\$ (781,056)</b>	\$ (315,876)	\$ 441,974	\$ (4,368,490)	\$ (4,573,873)
School District's Covered Payroll	<b>7,397,010</b>	6,838,695	6,537,089	6,317,690	6,071,415
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	<b>10.6%</b>	4.6%	6.8%	69.1%	75.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	<b>101.5%</b>	100.7%	99.0%	110.5%	111.5%



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service Cost	\$ 1,537,744	\$ 1,959,674	\$ *
Interest Cost	1,927,950	1,678,908	*
Changes of Benefit Terms	640,307	-	*
Differences Between Expected and Actual Experience	(3,891,138)	-	*
Changes in Assumptions or Other Inputs	(5,832,461)	(7,057,636)	*
Benefit Payments	(1,520,477)	(1,507,240)	*
	<u>(7,138,075)</u>	<u>(4,926,294)</u>	*
Total OPEB Liability - Beginning	52,776,674	57,702,968	*
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 45,638,599</u></b>	<b><u>\$ 52,776,674</u></b>	<b><u>\$ 57,702,968</u></b>
 Covered Employee Payroll	 \$ 8,117,060	 \$ 8,118,849	 \$ *
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 <b>562%</b>	 <b>650%</b>	 <b>*</b>

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

*See Notes to Required Supplementary Information*

2016		2015		2014		2013		2012		2011		2010	
\$	*	\$	*	\$	*	\$	*	\$	*	\$	*	\$	*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
	*		*		*		*		*		*		*
\$	*	\$	*	\$	*	\$	*	\$	*	\$	*	\$	*
\$	*	\$	*	\$	*	\$	*	\$	*	\$	*	\$	*
	*		*		*		*		*		*		*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

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

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

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

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 22,485,657
Carryover Encumbrances	-
Original Budget	<u>22,485,657</u>
Gifts and Donations	<u>-</u>
<b>Final Budget</b>	<b><u><u>\$ 22,485,657</u></u></b>

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. An annual legal budget is not adopted for the Special Grant and School Lunch funds, which are Special Revenue Funds.

### ***Note 2* Reconciliation of the Budget Basis to GAAP**

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

### ***Note 3* Schedule of Changes in the School Districts Total OPEB Liability and Related Ratios**

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

2019 - 3.87%  
2018 - 3.60%

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

The Schedule of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, presents five years of information. This schedule will present ten years of information as it becomes available from the pension plans.

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

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

#### **NYSLRS**

##### **Changes in Benefit Terms**

There were no significant legislative changes in benefits.

##### **Changes of Assumptions**

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

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

##### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

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

#### **NYSTRS**

##### **Changes in Benefit Terms**

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

##### **Changes of Assumptions**

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

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

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

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

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

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

#### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

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

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset Valuation Method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5%. at a rate of 20.0% per year, until fully recognized after five years.
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Inflation	2.5%
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Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.5% compounded annually, net of investment expenses, including inflation.
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Cost of Living Adjustments	1.5% compounded annually.
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# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

### **CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	<u>\$ 21,377,838</u>
Original Budget	<u>21,377,838</u>
<b>Final Budget</b>	<b><u><u>\$ 21,377,838</u></u></b>

### **§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

<b>Next Year's Budget is a Voter Approved Budget</b>	<b><u><u>\$ 22,799,520</u></u></b>
Maximum Allowed (4% of the 2019-2020 Budget)	<b><u><u>\$ 911,981</u></u></b>

General Fund fund balance subject to §1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 257,503
Unassigned Fund Balance	<u>2,778,995</u>
Total Unrestricted Fund Balance	<u><u>3,036,498</u></u>

Less:

Appropriated Fund Balance	\$ 250,000
Encumbrances Included in Assigned Fund Balance	<u>7,503</u>
Total Adjustments	<u><u>257,503</u></u>

<b>General Fund Fund Balance Subject to §1318 of Real Property Law</b>	<b><u><u>\$ 2,778,995</u></u></b>
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Actual Percentage	12.19%
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# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

<b>PROJECT TITLE</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Expenditures</b>		
			<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
<u>Benton Hall Elementary 001-012</u>	<u>\$ 6,623,722</u>	<u>\$ 6,623,722</u>	<u>\$</u>	<u>\$ 411,486</u>	<u>\$ 411,486</u>
<u>Middle/High School 008-014</u>	<u>15,888,902</u>	<u>15,888,902</u>		<u>987,068</u>	<u>987,068</u>
<u>School Bus Garage 5003-003</u>	<u>1,176,343</u>	<u>1,176,343</u>		<u>73,078</u>	<u>73,078</u>
<u>2018-19 Bus Projects</u>	<u>58,276</u>	<u>58,276</u>		<u>58,276</u>	<u>58,276</u>
<u>Subtotal</u>	<u>23,747,243</u>	<u>23,747,243</u>		<u>1,529,908</u>	<u>1,529,908</u>
<u>Unredeemed BANs</u>					<u>-</u>
<b>Total</b>	<b><u>\$ 23,747,243</u></b>	<b><u>\$ 23,747,243</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,529,908</u></b>	<b><u>\$ 1,529,908</u></b>



<b>Unexpended Balance</b>	<b>Methods of Financing</b>			<b>Total</b>	<b>Fund Balance (Deficit) June 30, 2019</b>
	<b>Proceeds of Obligations</b>	<b>State Aid</b>	<b>Local Sources</b>		
\$ 6,212,236	\$ 450,514	\$	\$	\$ 450,514	\$ 39,028
14,901,834	1,080,687			1,080,687	93,619
1,103,265	80,009			80,009	6,931
-			58,276	58,276	-
22,217,335	1,611,210		58,276	1,669,486	139,578
	(1,600,000)			(1,600,000)	(1,600,000)
<b>\$ 22,217,335</b>	<b>\$ 11,210</b>	<b>\$ -</b>	<b>\$58,276</b>	<b>\$ 69,486</b>	<b>\$ (1,460,422)</b>

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

<b>Capital Assets, Net</b>	<b><u>\$ 19,139,454</u></b>
<b>Deduct</b>	
Bond Anticipation Notes	<u>(1,600,000)</u>
Short-term Portion of Bonds Payable	<u>(553,495)</u>
Long-term Portion of Bonds Payable	<u>(2,455,892)</u>
Less: Unspent Bond Proceeds	<u>139,578</u>
<b>Net Investment in Capital Assets</b>	<b><u><u>\$ 14,669,645</u></u></b>



**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  
Little Falls City School District  
Little Falls, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 11, 2019.

**Internal Control Over Financial Reporting**

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

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

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

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | [www.inserocpa.com](http://www.inserocpa.com)

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 11, 2019



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

Board of Education  
Little Falls City School District  
Little Falls, New York

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

We have audited Little Falls City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The 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.

***Auditors' Responsibility***

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

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

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

## Report on Internal Control over Compliance

Management of the 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 the 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 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 the School District's internal control over compliance.

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

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

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

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 11, 2019

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass -Through Grantor Program Title</b>	<b>Federal CFDA #</b>	<b>Pass -Through Grantor #</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>				
<b>Passed Through NYS Department of Education</b>				
Title I Grants to Local Educational Agencies	84.010	0021191125	\$	\$ 405,160
Special Education Cluster:				
Special Education - Grants to States	84.027	0032190306		304,574
Special Education - Preschool Grants	84.173	0033190306		15,943
Total Special Education Cluster				320,517
Improving Teacher Quality State Grants	84.367	0147191125		60,030
Student Support and Academic Enrichment	84.424	0204191125		22,570
<b>Total U.S. Department of Education</b>				808,277
<b>U.S. Department of Agriculture</b>				
<b>Passed Through NYS Department of Education</b>				
Child Nutrition Cluster:				
National School Lunch Program	10.555			316,706
School Breakfast Program	10.553			73,088
Total Child Nutrition Cluster				389,794
<b>Total U.S. Department of Agriculture</b>				389,794
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,198,071</b>

*See Notes to Schedule to Expenditures of Federal Awards*

# ***LITTLE FALLS CITY SCHOOL DISTRICT***

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019**

***Note 1***     **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

***Note 2***     **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

***Note 3***     **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

***Note 4***     **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

***Note 5***     **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2019, the School District received \$44,720 of commodities under the National School Lunch Program (CFDA #10.555).

***Note 6***     **Subrecipients**

No amounts were provided to subrecipients.

***Note 7***     **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 School District's casualty insurance policies.

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



# ***LITTLE FALLS CITY SCHOOL DISTRICT***

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

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

#### ***Financial Statements***

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes √ no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?

\_\_\_\_\_ yes √ none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes √ no

#### ***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes √ no

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?

\_\_\_\_\_ yes √ none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with §200.516(a) of Uniform Guidance?

\_\_\_\_\_ yes √ no

Identification of major programs

**CFDA Numbers**

**Name of Federal Program or Cluster**

84.010

Title I Grants for School Improvements

Dollar threshold used to distinguish between Type A  
and Type B Programs

\$750,000

Auditee qualified as low-risk?

√ yes \_\_\_\_\_ no

### **Section II - Financial Statement Finding**

None

### **Section III - Federal Award Findings and Questioned Costs**

None