

REFUNDING ISSUE**S&P GLOBAL RATINGS: "AA-" STABLE OUTLOOK****SERIAL BONDS****See "BOND RATING" herein**

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

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

\$5,280,000*

CITY SCHOOL DISTRICT OF THE CITY OF ITHACA TOMPKINS AND TIOGA COUNTIES, NEW YORK



**GENERAL OBLIGATIONS
CUSIP BASE: 465668**

\$5,280,000* School District Refunding (Serial) Bonds, 2020 (the "Bonds")

Dated: Date of Delivery**Due: July 1, 2020-2029****MATURITIES***

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2020	\$ 5,000	%	%		2024	\$ 550,000	%	%		2028	\$ 680,000	%	%	
2021	475,000				2025	575,000				2029	715,000			
2022	500,000				2026	610,000								
2023	525,000				2027	645,000								

The Bonds are not subject to redemption prior to maturity.

The Bonds will be general obligations of the City School District of the City of Ithaca, Tompkins and Tioga Counties, New York (the "School District" or "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. See "TAX LEVY LIMITATION LAW" and "NATURE OF OBLIGATION" herein.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Interest on the Bonds will be payable on July 1, 2020 and semi-annually thereafter on January 1 and July 1 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein.

The Bonds are offered when, as and if issued and received by the underwriter and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, New York, New York. Certain legal matters will be passed on for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey on or about April 7, 2020.

ROOSEVELT & CROSS INCORPORATED

March __, 2020

* Preliminary, subject to change.

CITY SCHOOL DISTRICT OF THE CITY OF ITHACA TOMPKINS AND TIOGA COUNTIES, NEW YORK

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKETS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
CITY SCHOOL DISTRICT OF THE CITY OF ITHACA
TOMPKINS AND TIOGA COUNTIES, NEW YORK

Relating To
\$5,280,000* School District Refunding (Serial) Bonds, 2020

This Official Statement, which includes the cover page, has been prepared by the City School District of the City of Ithaca, Tompkins and Tioga Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the School District of \$5,280,000* principal amount of School District Refunding (Serial) Bonds, 2020 (the "Bonds").

The factors affecting the District's financial condition and the Bonds 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 Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

THE BONDS

Nature of the Obligation

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

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

The Bonds 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). Chapter 97 of the New York Laws of 2011 as amended, (as amended, the "Tax Levy Limitation Law" or "Chapter 97") applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and 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.

* Preliminary, subject to change.

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.

Description of the Bonds

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

The Bonds will be dated the date of delivery and will mature in the principal amounts as set forth on the cover page. The "Record Date" of the Bonds will be the fifteenth day of the calendar month preceding each such interest payment date.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on July 1, 2020 and semi-annually thereafter on January 1 and July 1 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

No Optional Redemption

The Bonds are not subject to redemption prior to maturity.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds.

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond 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 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, 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 ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

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 Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the District upon termination of the book-entry-only system. Interest on the Bonds will be payable on July 1, 2020 and semi-annually thereafter on January 1 and July 1 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Refunding Bond Certificate of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purposes

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the Board of Education on January 14, 2020 (the “Refunding Bond Resolution”) and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$6,620,000, outstanding principal balance of the School District (Serial) Bonds, 2012, dated July 1, 2012, originally issued by the School District in the aggregate principal amount of \$10,015,000 (referred to herein as the “Refunded Bonds”) and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were authorized by the Board of Education pursuant to a bond resolution adopted to provide funds for the following purposes and amounts:

\$10,015,000 School District (Serial) Bonds, 2012 – July 1, 2012

<u>Purpose</u>	<u>Amount Originally Issued</u>
Capital Project (buildings and facilities)	\$ 10,015,000

The proceeds of the Bonds are intended to be used to purchase a portfolio of non-callable direct obligations of the United States of America (the “Government Obligations”) and pay certain costs of issuance related to the Bonds. The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the Escrow Deposit Fund (as hereinafter defined) are expected to be sufficient to pay the maturing principal of and interest on the Refunded Bonds.

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the District’s refunding financial plan (the “Refunding Financial Plan”) dated January 14, 2020. The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of the Government Obligations. The Government Obligations are to be placed in an irrevocable trust fund (the “Escrow Deposit Fund”) with Wilmington Trust, N.A. (the “Escrow Holder”), pursuant to the terms of an escrow contract (the “Escrow Contract”) by and between the District and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations will mature in amounts and bear interest sufficient, together with any un-invested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments with respect to the Refunded Bonds on the dates such payments are due or, in the case of Refunded Bonds subject to redemption prior to maturity, upon their earliest redemption dates (the “Payment Dates”). The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Refunding Bond Resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their respective first permitted redemption date. The owners of the Refunded Bonds will have a first lien on all of the respective cash and securities necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the un-invested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

The District is expected to realize, as a result of the issuance of the Bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from District sources legally available therefore. However, inasmuch as the Government Obligations and cash held in the Escrow Deposit Fund will have been verified to be sufficient to meet all required payments of principal and interest on the Refunded Bonds, it is not anticipated that such District sources of payment will be used.

The list of Refunded Bond maturities set forth on the following page may be changed by the District in its sole discretion due to market or other factors considered relevant by the District at the time of pricing of the Bonds and no assurance can be given that any particular series of bonds listed or that any particular maturity thereof will be refunded.

\$10,015,000 School District (Serial) Bonds, 2012 – July 1, 2012
CUSIP BASE: 465668

<u>Due July 1st</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CSP</u>
2021	\$ 585,000	3.000%	07/01/2020	100.00%	PR6
2022	610,000	3.000	07/01/2020	100.00	PS4
2023	630,000	3.000	07/01/2020	100.00	PT2
2024	650,000	3.000	07/01/2020	100.00	PU9
2025	665,000	3.000	07/01/2020	100.00	PV7
2026	690,000	3.000	07/01/2020	100.00	PW5
2027	715,000	3.000	07/01/2020	100.00	PX3
2028	740,000	3.125	07/01/2020	100.00	PY1
2029	<u>765,000</u>	3.125	07/01/2020	100.00	PZ8
	<u>\$ 6,050,000</u>				

The proceeds of the Refunded Bonds have been expended.

Verification of Mathematical Computations

Causey Demgen & Moore PC, a firm of independent public accountants, will deliver to the District, on or before the date of delivery of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the District and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the maturing principal of and interest on the Refunded Bonds.

The verification performed by Causey Demgen & Moore PC will be solely based upon data, information and documents provided to Causey Demgen & Moore PC by the District and its representatives. Causey Demgen & Moore PC reports of its verification will state Causey Demgen & Moore PC has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds	\$
	Original Issue Premium (Discount)	
	Total	\$
Uses:	Deposit to Escrow Fund	\$
	Underwriter's Discount	
	Costs of Issuance and Contingency	
	Total	\$

THE SCHOOL DISTRICT

General Information

The School District, with a land area of approximately 160 square miles, is located in upstate New York, in the Counties of Tompkins and Tioga, and centers around the City of Ithaca. The City of Syracuse is located 45 miles northeast, the City of Binghamton 40 miles southeast and the City of Elmira 35 miles southwest. The School District includes the entire City of Ithaca as well as parts of the Towns of Caroline, Danby, Dryden, Enfield, Ithaca, Lansing, Newfield, Ulysses in Tompkins County and Candor and Richford in Tioga County (the “Towns”).

Major highways serving the School District include N.Y.S. Routes 13, 34, 79, 96 and 366 as well as Interstate 81, traveling north to Canada and south to Tennessee. Air transportation is available at the Tompkins County Airport, located within the School District boundaries. Public ground transportation is available through Greyhound Bus Company.

The area is culturally and academically influenced by both Cornell University and Ithaca College. Additional higher educational opportunities are available at nearby State Universities at Cortland and Binghamton, Elmira College and Syracuse University.

The School District is situated on the southern end of Cayuga Lake, which, at more than 40 miles in length, is the largest of the six major lakes in the Finger Lakes Region. A variety of recreational activities are available to residents and include various State, municipal and private launching sites. State parks within the School District, or in close proximity, include Buttermilk Falls, Treman, Taughannock and Connecticut Hill.

Source: District Officials.

Business Expansions

The largest sectors of the economy continue to be health and education services (including Cornell University and Ithaca College) followed by high tech level manufacturing. Recent business expansions within the School District include the following:

- The CBORD Group – 41,000 square foot renovation that retained 250 jobs in the region.
- Therm, Incorporated – 20,000 square foot manufacturing expansion that will create 20 new jobs.
- Rosie – Tech company located in downtown Ithaca will create 59 jobs in three years.
- Construction was completed in 2018 on a \$40 million, 7-story headquarters building in downtown Ithaca for Tompkins Trust Company.

Source: Tompkins County Area Development.

Major Commercial/Residential Projects

The following developments are taking place within and in close proximity to the School District:

Upcoming Large Developments in Various Stages of Approval

City of Ithaca

- Maguire Car Sales Carpenter Business Park
- Cascadilla Landing mixed-use 150 units 6,000 sq. ft. retail
- Commons multi-story Harold's Square retail/office/apartments (70 units)
- Cornell construction
- Lower College town Crossing retail/apartment (103 unit multi-story)
- Old Ithaca Gun site apartment/condo (45 units housing)
- Masonic temple mixed use renovation
- Benderson Development 27,000 sq. ft. retail
- Thurston-Highland Avenues apartment project (36 units)
- Maplewood park Cornell 500-600 units
- Old Library site (55 units)
- 901-999 Cliff S Ithaca 44 unit apartment
- DOT site inlet 84 units
- 302-306 college Ave 102 apartments

Town of Ithaca

- Emerson Redevelopment Project
- College crossing retail/office/apartments
- Conifer Senior Housing on West Hill (72 units)
- Ithaca College reconstruction
- Cayuga Medical Center – 40,000 sq. ft.

Town of Lansing

- Condo complex Triphammer Road
- Hawks Nest multi-story senior housing King Rd. (24 units)
- 428 Peruville Rd Lansing 30 units 60 beds

Village of Lansing

- Lansing Reserve apartments (65 units)
- Multi-story office/apartments (39 units)
- Senior Housing (12 units)

Commercial Projects Underway

City of Ithaca

- Holiday Inn 5 story addition
- Flagship Marriott Hotel 160 rooms
- Hilton Canopy Hotel – 150 rooms
- Stone Quarry apartment Spencer Road (26 units)
- Gun Hill Development – 74 unit senior leasing apartment units.
- Tompkins Trust Company Headquarters
- 210 Hancock (66 units of townhomes, multi-family housing and commercial space)
- College town terrace phase III 247 units 344 beds
- Lower 307 College Ave college town crossings 46 units
- Fontana 327 Eddy 22 units 56 beds
- College town Terrace apartments (589 units)
- Hotel Route 13 Fairfield Inn (104 units)
- Maguire Fiat Elmira Rd. 8,000 sq. ft addition
- Ithaca Beer Company Expansion
- Carey Building (32 apartment units)
- 209 Dryden Rd. Cornell Executive MBA program
- Therm manufacturing expansion

Town of Ithaca

- College Circle apartments (420 units)
- Ithacare senior apartments (22 units)
- Kendal Ithaca 24 units apartment, 48 bed nursing

Town of Newfield

- Detached cottages Burdge Hill Rd.

Town of Lansing

- Addition – manufacturing Advanced Design Ridge Rd.
- New mine shaft/building Cargill Salt
- Village Solars apartment project

Village of Lansing

- Refurbishing airport hotel
- Refurbish Cayuga Mall
- Refurbish Triphammer Mall

Village of Dryden

- Poets Landing Apartment Complex (72 apartments)

Town of Caroline

- Boiceville cottages detached apartment (75 units)

Residential in progress or proposed

City of Ithaca

- Simeons restaurant above 5 luxury apartments
- Kraftee 205 Dryden Rd Dryden south 10 units 40 beds
- Chapter House 400 Stewart upper floor units
- 215-221 West Spencer ST 12 units 26 bedrooms

Town of Ithaca

- Belle Sherman Cottages single family (19 units)
- Cleveland Estates south single family detached (13 units)
- Eastwood Commons expansion of 67 new townhomes
- Eco-Village Tree Neighborhood (20 housing units)
- Hollycreek Townhomes (22 units)
- The View on West Hill (106 units attached and detached single family)
- Park Lane residential subdivision (16 lots)
- Upland Road Estates (8 units)
- West Hill Indian Creek (70 housing units)
- Ithaca Estates III (11 housing units)

Town of Dryden

- Varna O'Connor/Fox 8 units 26 bed 902 Dryden Rd

Town of Lansing

- Seacord Development single family Cayuga Vista (15 units)
- Woodland Park (80 housing units)
- Farm Pond (18 housing units)
- Village Lansing mixed use senior housing 12 –1 bed, 48 2bed

Village of Lansing

- Lansing Trails (80 units)

Note: This is an overview of the major commercial/residential projected projects that are working their way through either construction or various stages of planning/approval. This is not a complete list. Additionally, sq. ft. or room count is only an estimate.

Source: School District officials, Tompkins County Department of Assessment.

Population

The current estimated population of the District is 67,577.

(U.S. Census Bureau, 2013-2017 American Community Survey 5-Year estimate).

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Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the below listed City, Towns, Village of Cayuga Heights (the “Village”) and Counties. The figures set below with respect to the City, such Towns, Village, and Counties are included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the City, Towns, Village or Counties are 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:						
Ithaca	\$ 13,408	\$ 17,346	\$ 18,985	\$ 42,304	\$ 65,935	\$ 79,375
Towns of:						
Candor	16,967	22,957	24,867	43,186	58,333	61,806
Caroline	21,531	25,347	28,593	51,983	62,713	69,917
Danby	23,078	31,323	37,327	52,303	81,324	64,650
Dryden	22,415	30,866	33,782	54,886	72,596	77,448
Enfield	16,795	22,667	31,357	40,183	50,074	66,979
Ithaca	24,065	28,086	33,174	68,346	90,909	93,829
Lansing	25,634	37,460	41,046	59,758	82,104	88,880
Newfield	17,735	22,598	29,581	43,147	55,662	69,429
Richford	15,331	20,318	23,099	38,750	55,156	58,839
Ulysses	22,516	31,290	38,657	54,167	75,833	87,581
Village of:						
Cayuga Heights	47,493	46,743	54,518	122,746	137,404	170,231
Counties of:						
Tompkins	19,659	25,737	29,759	53,041	72,231	78,504
Tioga	18,673	24,596	30,252	46,509	59,907	72,992
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.

Major Employers

Some of the major employers located within and or/surrounding the School District are as follows:

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate Number Employed</u>
Cornell University	Education	9,100
Ithaca College	Education	1,700
Ithaca City School District	Education	1,670
Borg Warner-Axiohm Corporation	Manufacturing	1,500
Cayuga Medical Center at Ithaca	Health Center	1,200
Tompkins County	Government	840
Wegmans Food Market	Retail Grocery	840
Franziska Racker Center	Education/Learning Disability	465
William George Agency	Social Services	425
City of Ithaca	Government	440

Source: City of Ithaca Final Official Statement dated February 4, 2020 and current District employment figure.

Unemployment Rate Statistics

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

	<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>
Ithaca City	6.7%	5.8%	4.9%	5.0%	4.7%	5.0%	4.1%
Tompkins County	6.1%	5.2%	4.4%	4.4%	4.2%	4.3%	3.6%
Tioga County	7.9%	7.1%	6.1%	5.5%	5.1%	5.1%	4.4%
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

	<u>2019 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Ithaca City	3.9%	3.9%	3.7%	3.4%	3.6%	4.1%	4.8%	4.8%	4.4%	4.3%	3.5%	3.3%
Tompkins County	3.7%	3.6%	3.4%	3.0%	3.1%	3.4%	3.8%	3.9%	3.5%	3.5%	3.0%	3.2%
Tioga County	4.7%	4.8%	4.6%	3.7%	3.6%	3.6%	3.8%	3.9%	3.6%	3.8%	3.6%	4.4%
New York State	4.6%	4.4%	4.1%	3.6%	3.8%	3.8%	4.1%	4.2%	3.7%	3.9%	3.6%	3.7%

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

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

School Facilities

<u>Name</u>	<u>Grade</u>	<u>Capacity</u>	<u>Year(s) Built/Additions</u>
Belle Sherman	K-5	472	1926, 1969, 1995, 2010
Cayuga Heights	K-5	467	1954, 1956, 1969, 1990
Caroline	K-5	522	1959, 1965-69, 1990
Beverly J. Martin	K-5	421	1932, 1955-71, 1983
Enfield	K-5	352	1959, 1969, 1990
Fall Creek	K-5	320	1934, 1965-66
North East	K-5	600	1964, 1969
South Hill	K-5	494	1949, 1954, 1990
Boynton	6-9	1,215	1971
Dewitt	6-9	1,144	1971
Lehman Alternative	6-12	299	1949, 1952, 2010
Ithaca High School	9-12	<u>1,896</u>	1960, 1964, 1983, 1997, 1998, 2010
Total Capacity		8,202	

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-16	5,919	2020-21	6,050
2016-17	5,885	2021-22	6,041
2017-18	6,109	2022-23	6,068
2018-19	6,032	2023-24	6,102
2019-20	5,996	2024-25	6,156

Note: The District completed a demography study in February 2017 and does not anticipate large fluctuations in student population in the reasonably foreseeable future.

Source: District officials.

Employees

The District employs approximately 1,120 full-time and 550 part-time employees. The number of employees represented by unions, the names of the collective bargaining agents and the contract expiration dates are as follows:

<u>Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
599	Ithaca Teachers' Association (in negotiations)	June 30, 2025
253	Ithaca Para-Professional Association	June 30, 2024
308	Ithaca Service Employees' Association	June 30, 2020 ⁽¹⁾
45	Principals' and Directors' Association (in negotiations)	June 30, 2025
416	Ithaca Substitutes Association	June 30, 2024

⁽¹⁾ Negotiations commenced January 2020.

Source: District officials.

Form of School Government

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

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

Budgetary Procedures

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 New York Laws of 2011, as amended ("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 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 1,820 to 414. The budget called for a total tax levy increase of 2.19%, which was equal to the District's tax levy limit of 2.19%.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 2,383 to 584. The budget called for a total tax levy increase of 3.02%, which was equal to the District's tax levy limit of 3.02%.

The District anticipates that the budget for the 2020-21 fiscal year will be within the District's tax levy limit.

Investment Policy

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

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) Special time deposits; (2) Certificates of Deposits; (3) Obligations of the United States of America; (4) Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America. In the case of obligations of the United States Government, the School District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian with regular valuation of collateral. The School District does not invest in reverse repurchase agreements or other derivative type investments.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 24.1% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

The Governor's Executive Budget Proposal for the 2020-2021 State fiscal year was released on January 21, 2020. The School District has not yet analyzed the potential impact on the School District.

Potential reductions in Federal aid received by the State

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

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

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

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 New York Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2020-2021 preliminary building aid ratios, the District State Building aid of approximately 58.1% for debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history

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

School district fiscal year (2015-2016): The 2015-2016 State Executive Budget passed on March 31, 2015 and included the partial reduction in Gap Elimination Adjustment with \$603 million in GEA cuts being restored, and provided an additional \$428 million in foundation aid and \$268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also includes a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. For the 2016-2017 fiscal year, the District received \$89,298 in State aid (Foundation aid) to be used on community schools activities.

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately \$20,941,050. 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.

School District Fiscal Year 2020-21. The 2020-21 Executive Budget includes a \$826 million increase in school aid, including a \$504 increase for Foundation Aid and support for certain initiatives, including a third round of funding for Empire After School awards for high needs school districts and the continued transformation of high-needs schools into community hubs. There is a \$50 million increase in funding for Community Schools and an increase in the number of schools district eligible for Community School funding. Initiatives from prior years also are maintained, included pre-kindergarten funding and the Smart Schools Bond Act. The 2020-21 Executive Budget consolidates ten (10) categories of expense-based aid into Foundation Aid. The 2020-21 Executive Budget is subject to approval by the New York State Legislature and then signed into law by the Governor. There is no assurance that the 2020-21 Executive Budget will be adopted as released and no way to determine at this point what changes or modifications the Governor and the Legislature may agree to as part of the budget adoption process.

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 last five completed fiscal years and budgeted figures comprised of State aid:

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2014-2015	\$ 111,530,360	\$ 26,629,928	23.88%
2015-2016	115,860,718	28,635,438	24.72
2016-2017	118,826,140	30,542,240	25.70
2017-2018	122,579,349	31,370,164	25.59
2018-2019	126,550,104	32,109,344	25.37
2019-2020 (Budgeted)	131,954,987 ⁽²⁾	31,858,249	24.14

⁽¹⁾ General fund only, includes interfund transfers.

⁽²⁾ Includes \$1,134,564 appropriated reserves and \$3,970,000 appropriated fund balance.

Source: 2014-2015 through 2018-2019 audited financial statements and 2019-2020 budget of the District. This table is not audited.

Status and Financing of Employee Pension Benefits

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

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

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

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

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

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-2015	\$ 2,794,159	\$ 6,117,010
2015-2016	2,122,787	6,361,502
2016-2017	1,928,226	4,375,745
2017-2018	2,020,414	3,894,170
2018-2019	1,911,162	4,327,524
2019-2020 (Budgeted)	2,551,272	3,766,780

Source: District Officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District offered early retirement incentives to three members of the Ithaca Principals and Directors Unit costing \$126,000. \$30,000 was paid in December 2019 and the balance is due by June 30, 2020. Savings will depend on the seniority of their replacements.

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 State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

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

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

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

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the New York Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of June 25, 2019, the District has established such reserve fund and has contributed \$836,682.

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-Employment Benefits

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

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

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

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

Under GASB 75, an actuarial valuation will be required every 2 years for all plans, however, the Alternative Measurement Method continues to be available for plans with less than 100 members.

The District contracted with an Armory Associates, LLC 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
		<u>\$ 334,976,707</u>	<u>\$ 308,279,593</u>
<u>Changes for the year:</u>			
Service cost		12,775,684	9,760,782
Interest on total OPEB liability		9,808,019	11,311,116
Changes in Benefit Terms		-	-
Differences between expected and actual experience		-	(29,901,783)
Changes in Assumptions or other inputs		(42,058,077)	(30,024,208)
Benefit payments		<u>(7,222,740)</u>	<u>(7,685,365)</u>
Net Changes		<u>\$ (26,697,114)</u>	<u>\$ (46,539,458)</u>
	Balance ending at:	June 30, 2018	June 30, 2019
		<u><u>\$ 308,279,593</u></u>	<u><u>\$ 261,740,135</u></u>

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 aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the District's audited financial statements for the fiscal years ending June 30, 2018 and June 30, 2019

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 were no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in past legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

Other Information

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

The District has complied with the procedure for the publication of the estoppel notice with respect to the Bonds 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". In addition, the State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the School District has complied with the requirements of various State and Federal statutes. Certain financial information of the School District can be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for 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.

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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 February 26, 2016. The purpose of the audit was to examine the District's financial activities for the period July 1, 2013 through May 8, 2015. Key findings and recommendations of the audit report are summarized below:

Key Findings

- District officials recognized their use of fund balance as a financing source could not continue. The District did achieve some cost savings that cost savings measures are positive steps in the effort to use recurring revenues to support recurring expenditures.

Key Recommendations

- Continue to examine cost savings opportunities to further aid the District in funding recurring expenditures with recurring revenues.

The State Comptroller's office released an audit report of the District on June 17, 2016. The District was one of six school districts audited for the statewide report entitled Extra-Classroom Activities.

The State Comptroller's office released its most recent audit report of the District on July 21, 2017. The purpose of the audit was to examine the District's transportation State aid procedures and information technology (IT) controls for the period July 1, 2015 through January 10, 2017. Key findings and recommendations of the audit report are summarized below:

Key Findings:

- District officials did not apply for all the transportation State aid to which the District was entitled for bus purchases.
- The District had 10,885 user accounts on its network. Of these, 5,173 (48 percent) had not been used to log on to the network in at least six months.
- The Board has not adopted a comprehensive disaster recovery plan.

Key Recommendations:

- District officials should implement procedures to ensure the preparation and submission of transportation State aid documentation and the performance of an annual reconciliation of expected aid to actual aid received.
- Establish procedures to ensure user accounts no longer needed are disabled or removed in a timely manner. At a minimum, procedures should require user access rights to be periodically reviewed to ensure they align with job responsibilities.
- Adopt, distribute and periodically test and update a comprehensive disaster recovery plan that identifies how essential data will be preserved during a disaster and identifies alternate work locations.

A copy of the complete reports and District responses can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

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

Note: Reference to website implies no warranty of accuracy of information therein, and is not incorporated herein by reference.

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 classification of the District for the 2015 through 2019 fiscal years is as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2019	No Designation	8.3
2018	No Designation	0.0
2017	No Designation	0.0
2016	No Designation	11.7
2015	No Designation	13.3

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

Note: Reference to website implies no warranty of accuracy of information therein, and is not incorporated herein by reference.

TAX INFORMATION

Taxable Valuations ⁽¹⁾

<u>Fiscal Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Taxable Assessed Value	\$ 4,524,892,677	\$ 4,747,327,450	\$ 4,901,827,470	\$ 5,151,017,781	\$ 5,356,916,134
Taxable Full Valuation ⁽²⁾	4,524,970,448	4,747,367,156	4,901,919,627	5,151,173,031	5,357,037,815
Taxable Full Valuation ⁽³⁾	4,817,634,270	5,012,935,100	5,166,856,042	5,354,556,439	N/A

(1)

See "APPENDIX – C and C1" for computations of Full Valuation, made with the use of regular State Equalization Rates and special State Equalization Ratios.

(2) Full Valuation computed using regular State equalization rates.

(3) Full Valuation computed using special State equalization ratios.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Years Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of:					
Ithaca	\$ 18.16	\$ 17.67	\$ 17.49	\$ 17.00	\$ 16.84
Towns of:					
Candor	18.44	17.67	17.84	17.71	17.36
Caroline	18.16	17.67	17.49	17.00	16.84
Danby	18.16	17.67	17.49	17.00	16.84
Dryden	18.16	17.67	17.49	17.00	16.84
Enfield	18.16	17.67	17.49	17.00	16.84
Ithaca	18.16	17.67	17.49	17.00	16.84
Lansing	18.16	17.67	17.49	17.00	16.84
Newfield	18.16	17.67	17.49	17.00	16.84
Richford	18.53	18.03	17.84	17.35	17.18
Ulysses	18.16	17.67	17.49	17.00	16.84

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	\$ 82,176,897	\$ 83,901,290	\$ 85,717,703	\$ 87,594,206	\$ 90,238,884
Amount Uncollected ⁽¹⁾	2,359,738	2,320,475	2,033,616	2,881,301	2,855,118
% Uncollected ⁽¹⁾	2.87%	2.77%	2.37%	3.29%	3.16%

(1) Represents the amount of taxes uncollected at the end of the collection period for each fiscal year. School District taxes are made whole by the respective Counties and City. See "Tax Collection Procedure".

Tax Collection Procedure

The School District levies its own taxes prior to the end of September, and collects such taxes, which are due during October without penalty. Penalties for delinquent taxes are as follows: 2% in November and 3% in December after which the delinquent taxes are turned over to the City Tax Collector for those properties within the City and to the respective County Treasurers for those properties outside the City.

The School District receives the full amount of all the uncollected taxes on property outside the City from the Counties by the end of its fiscal year, and the full amount of uncollected taxes on property within the City during the next fiscal year.

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 and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total Real Property Taxes & Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2014-2015	\$ 111,530,360	\$ 81,357,417	72.95%
2015-2016	115,860,718	83,178,972	71.79
2016-2017	118,826,140	84,756,265	71.33
2017-2018	122,579,349	87,133,496	71.08
2018-2019	126,550,104	89,218,366	70.50
2019-2020 (Budgeted)	126,850,423 ⁽²⁾	91,558,174	72.18

⁽¹⁾ General fund only, includes interfund transfers.

⁽²⁾ Does not include \$1,134,564 appropriated reserves and \$3,970,000 appropriated fund balance.

Source: 2014-2015 through 2018-2019 audited financial statements and 2019-2020 budget of the District. This table is not audited.

Ten Largest Taxpayers - 2019 Assessment Roll for 2019-20 District Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
NYS Electric & Gas	Utility	\$ 105,250,564
Cornell University	Education	81,932,800
Dominion Resources	Utility	50,632,196
Kendal at Ithaca Inc	Senior Housing	37,400,000
Northwood 10 DE, LLC	Apartments	25,000,000
VVA Phase I & II LLC	Student Housing	24,750,000
312 College Ave Assoc 2 LCL	Apartments	19,800,000
Warrenwood 10 DE, LLC	Apartments	19,000,000
Fairview SIHP, LLC	Student Housing	18,745,000
Collegetown Center LLC	Student Housing	18,100,000

The larger taxpayers listed above have a total assessed valuation of \$400,610,560 which represents 7.5% 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 2020-21 Executive Budget would withhold STAR benefits to taxpayers who are delinquent in the payment of their school taxes and would lower the income limit for the exemption to \$200,000, compared with a \$500,000 limit for the credit. The 2020-21 Executive Budget is subject to approval by the New York State Legislature and then signed into law by the Governor. There is no assurance that the 2020-21 Executive Budget will be adopted and no way to predict what changes the Governor and the Legislature may agree to.

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

<u>Municipality</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Town of:			
Candor	\$ 65,950	\$ 28,800	4/9/2019
Caroline	68,700	30,000	4/9/2019
Danby	68,700	30,000	4/9/2019
Dryden	68,700	30,000	4/9/2019
Enfield	68,700	30,000	4/9/2019
Ithaca	68,700	30,000	4/9/2019
Lansing	68,700	30,000	4/9/2019
Newfield	68,700	30,000	4/9/2019
Richford	67,330	29,400	4/9/2019
Ulysses	68,700	30,000	4/9/2019
City of:			
Ithaca	68,700	30,000	4/9/2019

\$5,194,752 of the District’s \$87,569,421 school tax levy for 2018-19 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2019.

Approximately \$4,699,153 of the District’s \$90,238,884 school tax levy for 2019-20 is expected to be exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2020.

Source: District officials and State of New York Department of Taxation and Finance.

Additional Tax Information

Senior citizens' exemptions from School District taxes are offered to those who qualify.

The assessment roll of the School District is constituted approximately as follows: 31% commercial, 1% industrial and 68% residential.

The total property tax bill of a typical residence with a market value of \$150,000 is estimated to be \$3,972 including County, City, Town and School District taxes.

TAX LEVY LIMITATION LAW

Chapter 97 of the New York Laws of 2011 as amended (as amended, "Chapter 97" or the "Tax Levy Limitation Law") applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

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

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

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

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

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

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

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

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

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

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

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

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

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and included continued tax cap compliance. It is not known at this time if the program has been or will be extended.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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 or in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; and unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School 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.

Statutory Procedure

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

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. This includes voter approval of bond resolutions authorizing the issuance of bonds, and notes in anticipation of the bonds.

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

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

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

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

Debt Outstanding End of Fiscal Year

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 70,545,000	\$ 70,930,000	\$ 63,525,000	\$ 57,145,000	\$ 51,195,000
Bond Anticipation Notes	5,740,000	0	0	0	0
Revenue Anticipation Notes	0	6,500,000	0	0	0
Energy Performance Contract	<u>0</u>	<u>0</u>	<u>9,726,615</u>	<u>9,226,720</u>	<u>8,624,799</u>
Total Debt Outstanding	<u>\$ 76,285,000</u>	<u>\$ 77,430,000</u>	<u>\$ 73,251,615</u>	<u>\$ 66,371,720</u>	<u>\$ 59,819,799</u>

Note: Totals above do not include advance refunded serial bonds outstanding, where applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of February 21, 2020.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2020-2030	\$ 46,445,000
<u>Bond Anticipation Notes</u>		
Capital Project	July 17, 2020	<u>10,000,000</u> ⁽¹⁾
Total Indebtedness:		<u>\$ 56,445,000</u>

⁽¹⁾ To be renewed at maturity. New money will be added based on construction cash flow needs.

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Debt Statement Summary

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

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios
Five-Year Average Full Valuation of Taxable Real Property.....	\$ 4,936,493,616	\$ 5,008,993,220
Debt Limit 5% thereof.....	246,824,681	250,449,661
<u>Inclusions:</u>		
Bonds.....	\$ 46,445,000	\$ 46,445,000
Bond Anticipation Notes.....	10,000,000	10,000,000
Tax Anticipation Notes.....	0	0
Revenue Anticipation Notes.....	0	0
Total Inclusions.....	<u>\$ 56,445,000</u>	<u>\$ 56,445,000</u>
<u>Exclusions:</u>		
Appropriations.....	\$ 1,170,000	\$ 1,170,000
Tax Anticipation Notes.....	0	0
Revenue Anticipation Notes.....	0	0
Total Exclusions.....	<u>\$ 1,170,000</u>	<u>\$ 1,170,000</u>
Total Net Indebtedness ^{(1) (2)}	<u>\$ 55,275,000</u>	<u>\$ 55,275,000</u>
Net Debt-Contracting Margin ⁽³⁾	<u>\$ 191,549,681</u>	<u>\$ 195,174,661</u>
The percent of debt contracting power exhausted is.....	22.39%	22.07%

- (1) 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 Valuations".
- (2) 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. The District receives New York State debt service building aid in an amount approximating 58.1% 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.
- (3) 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.

Note: Legislation adopted in the current legislative session would have permitted the District to deduct estimated state apportionments of building aid in the calculation in the calculation of the small city school district debt limits. Such legislation (A7062) was vetoed by the Governor as of the date hereof.

Note: \$6,050,000* of the serial bonds listed above are expected to be refunded with the proceeds of the Bonds.

Bonded Debt Service

A schedule of bonded debt service, including the principal of the Bonds, may be found in "APPENDIX – B" to this Official Statement.

* Preliminary, subject to change.

Capital Project Plans

On May 21, 2019, District voters approved a \$120 million capital improvement project for the construction and reconstruction of various District buildings and facilities. Borrowings for the project are expected to occur in phases upon approval from the New York State Education Department and as the project's cash flow needs warrant. On July 18, 2019, the District issued \$5 million bond anticipation notes as the first borrowing against said authorization for preliminary and start-up costs. The District issued \$5 million bond anticipation notes on January 29, 2020 as the second borrowing against said authorization. Additionally, the District anticipates renewing \$10 million bond anticipation notes on July 17, 2020 and issuing new money as the third borrowing pursuant to said authorization.

There are no other capital projects authorized or financings contemplated at the present time.

Energy Performance Contract Agreement

The School District has entered into an energy performance contract agreement with Trane, Inc. The School District expects to realize savings from said energy efficiency improvements. The energy performance contract financing with Banc of America Public Capital Corp. closed on August 26, 2016 in the amount of \$9,726,615 with an interest rate of 1.995%. Payments in the amount of approximately \$783,000 are scheduled to be made annually in the fiscal years 2018 through 2031 and \$391,000 in the fiscal year ending 2032.

Cash Flow Borrowings

Prior to the issuance of \$6,500,000 Revenue Anticipation Notes on April 5, 2016 that matured on October 21, 2016, the School District had not issued revenue or tax anticipation notes since 2007. The District does not expect to issue additional revenue or tax anticipation notes in the foreseeable future.

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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 close of the respective municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Tompkins	12/31/2017	\$ 66,839,761	\$ 992,921	\$ 65,846,840	65.53%	\$ 43,149,434
Tioga	12/31/2017	13,775,000	-	13,775,000	0.18%	24,795
City of:						
Ithaca	12/31/2017	131,361,409	40,423,453	90,937,956	56.26%	51,161,694
Town of:						
Candor	12/31/2017	550,000	-	550,000	0.99%	5,445
Caroline	12/31/2017	-	-	-	81.24%	-
Danby	12/31/2017	67,394	67,394	-	83.48%	-
Dryden	12/31/2017	623,000	623,000	-	31.70%	-
Enfield	12/31/2017	797,630	-	797,630	68.40%	545,579
Ithaca	12/31/2017	10,769,000	10,769,000	-	43.73%	-
Lansing	12/31/2017	3,081,674	715,093	2,366,581	33.81%	800,141
Newfield	12/31/2017	3,848,273	3,848,273	-	0.18%	-
Richford	12/31/2017	-	-	-	2.83%	-
Ulysses	12/31/2017	1,052,000	1,052,000	-	32.66%	-
Village of:						
Cayuga Heights	5/31/2018	1,258,000	675,000	583,000	100.00%	583,000
					Total:	<u>\$ 96,270,088</u>

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

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

Source: Comptroller's Special Report on Municipal Affairs for Local Finance.

Debt Ratios

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

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 55,275,000	\$ 817.96	1.03%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	151,545,088	2,242.55	2.83

(a) The current estimated population of the District is 67,577. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for 2019-2020 using regular state equalization rates is \$5,357,037,815. (See "TAX INFORMATION – Taxable Valuations" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is \$96,270,088. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Bonds, 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 Bonds. 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 Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

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. Due to a clerical error, the District failed to make a principal and interest payment on the \$5,740,000 Bond Anticipation Notes, 2014 (CUSIP 465668 QJ3) in the total amount of \$5,783,050 due on July 2, 2015. The payment was made on July 6, 2015 and a Material Event Notice was filed to the Electronic Municipal Market Access on July 14, 2015.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. 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 Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State or in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. 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 Bonds, could be adversely affected.

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

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

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

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

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the District will enter into an Undertaking to Provide Notice of Material Events Certificate, a description of which is attached hereto as “APPENDIX – D”.

Historical Compliance

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – F”.

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

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

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect a Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made in recent years which would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in APPENDIX - F hereto.

Certain legal matters will be passed upon for the underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

Certain legal matters will be passed on for the School District by its School Attorney.

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

UNDERWRITING

The Bonds are being purchased by Roosevelt & Cross Incorporated (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$_____ (being the par amount of the Bonds plus a net original issue premium of \$_____, less an underwriter's discount for the transaction of \$_____). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their rating of "AA-" with a stable outlook to the Bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

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

MUNICIPAL ADVISOR

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

MISCELLANEOUS

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

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

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

Orrick, Herrington & Sutcliffe, LLP, New York, Bond Counsel to the Issuer, and Hawkins Delafield & Wood LLP, counsel to the underwriter express no opinion 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 Bonds, including but not limited to, the financial or statistical information in this Official Statement.

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

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

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

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the 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 or hacking 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 will act as Paying Agent for the Bonds. The District's contact information is as follows: Ms. Amanda Verba, Chief Operations Officer, 400 Lake Street – P.O. Box 549, Ithaca, New York 14851, telephone (607) 274-2124, fax (607) 274-2279, email Amanda.verba@icsd.k12.ny.us.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the City School District of the City of Ithaca.

CITY SCHOOL DISTRICT OF THE CITY OF ITHACA

Dated: March __, 2020

ROBERT AINSLIE
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 11,884,106	\$ 10,754,653	\$ 13,834,499	\$ 13,571,633	\$ 15,359,814
Restricted Cash	3,880,264	7,791,897	9,046,685	7,262,877	8,842,300
Taxes Receivable	1,489,394	1,266,056	1,511,923	1,516,158	1,261,926
Due from Other Funds	1,731,690	1,898,969	2,765,632	2,613,183	5,186,349
State and Federal Aid Receivable	1,062,872	835,541	876,722	991,383	1,029,237
Due from Other Governments	1,709,840	2,022,537	2,256,453	2,041,906	2,034,513
Due from Fiduciary Funds	47	10,141	-	51,427	-
Other Receivables, Net	47,801	34,762	102,838	-	117,842
Prepaid Items	-	646	-	1,180,587	1,360,843
TOTAL ASSETS	<u>\$ 21,806,014</u>	<u>\$ 24,615,202</u>	<u>\$ 30,394,752</u>	<u>\$ 29,229,154</u>	<u>\$ 35,192,824</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 567,070	\$ 374,512	\$ 396,761	\$ 590,318	\$ 4,886,608
Accrued Liabilities	1,341,361	672,004	487,653	320,740	333,159
Due to Other Funds	428	30	2,662,744	1,289,864	1,448,946
Due to Fiduciary Funds	-	345	-	-	-
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	6,722,539	5,306,183	4,921,707	4,469,219	4,942,002
Due to Employees' Retirement System	664,117	526,861	513,253	576,411	535,846
Compensated Absences	515,850	566,894	626,448	650,435	752,451
Overpayments & Deferred Revenues	618,555	1,073,897	1,411,856	1,346,049	1,210,121
TOTAL LIABILITIES	<u>\$ 10,429,920</u>	<u>\$ 8,520,726</u>	<u>\$ 11,020,422</u>	<u>\$ 9,243,036</u>	<u>\$ 14,109,133</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ 646	\$ -	\$ 1,180,587	\$ 1,360,843
Restricted	3,880,264	7,791,897	7,406,039	7,262,877	8,531,806
Assigned	3,009,841	3,601,110	7,089,373	6,411,500	8,168,119
Unassigned	4,485,989	4,700,823	4,878,918	5,131,154	3,022,923 ⁽¹⁾
TOTAL FUND EQUITY	<u>\$ 11,376,094</u>	<u>\$ 16,094,476</u>	<u>\$ 19,374,330</u>	<u>\$ 19,986,118</u>	<u>\$ 21,083,691</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 21,806,014</u>	<u>\$ 24,615,202</u>	<u>\$ 30,394,752</u>	<u>\$ 29,229,154</u>	<u>\$ 35,192,824</u>

⁽¹⁾ Decline from prior year due to the District's decision to fund the Capital Reserve in lieu of the unassigned fund balance.

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>
<u>REVENUES</u>					
Real Property Taxes	\$ 73,919,567	\$ 75,634,174	\$ 77,854,707	\$ 80,279,785	\$ 82,365,944
Other Tax Items	7,437,850	7,544,798	6,901,558	6,853,711	6,852,422
Charges for Services	611,287	601,580	690,791	599,367	621,496
Use of Money & Property	241,218	288,467	315,629	371,229	996,266
Sale of Property and Compensation for Loss	15,532	156,597	56,549	91,030	66,525
Miscellaneous	2,021,026	2,767,452	2,042,210	2,623,457	2,517,195
Revenues from State Sources	26,629,928	28,635,438	30,542,240	31,370,164	32,109,344
Revenues from Federal Sources	101,587	160,116	170,181	234,994	347,195
Total Revenues	<u>\$ 110,977,995</u>	<u>\$ 115,788,622</u>	<u>\$ 118,573,865</u>	<u>\$ 122,423,737</u>	<u>\$ 125,876,387</u>
Other Sources:					
Interfund Transfers	<u>552,365</u>	<u>72,096</u>	<u>252,275</u>	<u>155,612</u>	<u>673,717</u>
Total Revenues and Other Sources	<u>\$ 111,530,360</u>	<u>\$ 115,860,718</u>	<u>\$ 118,826,140</u>	<u>\$ 122,579,349</u>	<u>\$ 126,550,104</u>
<u>EXPENDITURES</u>					
General Support	\$ 14,467,845	\$ 14,803,704	\$ 14,990,056	\$ 15,129,250	\$ 15,439,934
Instruction	51,323,026	51,782,368	54,838,323	58,193,817	60,188,581
Pupil Transportation	4,839,329	5,079,567	5,072,310	5,140,363	5,214,110
Community Services	7,094	6,653	5,004	4,588	4,361
Employee Benefits	29,937,319	28,378,711	29,153,720	31,189,749	34,056,696
Debt Service	8,130,128	8,195,941	8,724,329	9,415,410	8,771,956
Total Expenditures	<u>\$ 108,704,741</u>	<u>\$ 108,246,944</u>	<u>\$ 112,783,742</u>	<u>\$ 119,073,177</u>	<u>\$ 123,675,638</u>
Other Uses:					
Interfund Transfers	<u>1,802,758</u>	<u>2,340,957</u>	<u>2,762,544</u>	<u>2,894,384</u>	<u>1,776,893</u>
Total Expenditures and Other Uses	<u>\$ 110,507,499</u>	<u>\$ 110,587,901</u>	<u>\$ 115,546,286</u>	<u>\$ 121,967,561</u>	<u>\$ 125,452,531</u>
Excess (Deficit) Revenues Over Expenditures	<u>1,022,861</u>	<u>5,272,817</u>	<u>3,279,854</u>	<u>611,788</u>	<u>1,097,573</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	10,353,233	11,376,094	16,094,476	19,374,330	19,986,118
Prior Period Adjustments (net)	<u>-</u>	<u>(554,435)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 11,376,094</u></u>	<u><u>\$ 16,094,476</u></u>	<u><u>\$ 19,374,330</u></u>	<u><u>\$ 19,986,118</u></u>	<u><u>\$ 21,083,691</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:	2019			2020
	Adopted <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Adopted <u>Budget</u>
<u>REVENUES</u>				
Real Property Taxes	\$ 87,594,206	\$ 82,399,454	\$ 82,365,944	\$ 90,238,884
Other Tax Items	1,233,881	6,428,633	6,852,422	1,319,290
Charges for Services	616,000	616,000	621,496	551,000
Use of Money & Property	108,100	108,100	996,266	228,000
Sale of Property and Compensation for Loss	28,000	28,000	66,525	2,405,000
Miscellaneous	2,267,813	2,503,325	2,517,195	-
Revenues from State Sources	31,603,485	31,728,485	32,109,344	31,958,249
Revenues from Federal Sources	150,000	150,000	347,195	150,000
Total Revenues	<u>\$ 123,601,485</u>	<u>\$ 123,961,997</u>	<u>\$ 125,876,387</u>	<u>\$ 126,850,423</u>
Other Sources:				
Appropriated Reserves	\$ 1,000,000	\$ 1,074,421	\$ -	\$ 1,134,564
Appropriated Fund Balance	3,230,000	3,230,000	-	3,970,000
Designated Fund Balance & Encumbrances From Prior Year	3,181,500	-	-	-
Interfund Transfers	634,891	634,891	673,717	-
Total Revenues and Other Sources	<u>\$ 131,647,876</u>	<u>\$ 132,082,809</u>	<u>\$ 126,550,104</u>	<u>\$ 131,954,987</u>
<u>EXPENDITURES</u>				
General Support	\$ 18,136,568	\$ 18,868,409	\$ 15,439,934	\$ 16,124,350
Instruction	63,871,225	62,807,400	60,188,581	65,555,170
Pupil Transportation	5,783,052	5,600,021	5,214,110	5,870,196
Community Services	4,916	4,916	4,361	6,000
Employee Benefits	33,095,676	34,246,212	34,056,696	33,682,009
Debt Service	8,771,958	8,771,958	8,771,956	8,492,527
Total Expenditures	<u>\$ 129,663,395</u>	<u>\$ 130,298,916</u>	<u>\$ 123,675,638</u>	<u>\$ 129,730,252</u>
Other Uses:				
Interfund Transfers	1,984,481	1,783,893	1,776,893	2,224,735
Total Expenditures and Other Uses	<u>\$ 131,647,876</u>	<u>\$ 132,082,809</u>	<u>\$ 125,452,531</u>	<u>\$ 131,954,987</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,097,573</u>	<u>-</u>
<u>FUND BALANCE</u>				
Fund Balance - Beginning of Year	-	-	19,986,118	-
Appropriated Fund Balance	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,083,691</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 Ithaca

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	PRIOR TO REFUNDING BONDS			REFUNDED BONDS DEBT SERVICE	REFUNDING BONDS			TOTAL NEW DEBT SERVICE
	Principal	Interest	Total		Principal	Interest	Total	
2020	\$ 5,920,000	\$ 1,789,518.75	\$ 7,709,518.75					
2021	6,135,000	1,581,743.75	7,716,743.75					
2022	6,365,000	1,354,168.75	7,719,168.75					
2023	6,620,000	1,113,693.75	7,733,693.75					
2024	6,890,000	828,368.75	7,718,368.75					
2025	2,865,000	584,368.75	3,449,368.75					
2026	2,965,000	477,725.00	3,442,725.00					
2027	3,075,000	371,131.25	3,446,131.25					
2028	3,185,000	259,525.00	3,444,525.00					
2029	3,285,000	156,068.75	3,441,068.75					
2030	3,380,000	62,521.88	3,442,521.88					
2031	510,000	7,650.00	517,650.00					
TOTALS	\$ 51,195,000	\$ 8,586,484.38	\$ 59,781,484.38	\$ -	\$ -	\$ -	\$ -	\$ -

APPENDIX - B1
City School District of the City of Ithaca

CURRENT BONDS OUTSTANDING

Fiscal Year Beginning June 30th	2012 Reconstruction			2015 Reconstruction		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 550,000	\$ 208,731	\$ 758,731	\$ 395,000	\$ 127,350	\$ 522,350
2021	570,000	191,931	761,931	400,000	119,400	519,400
2022	585,000	174,606	759,606	415,000	111,250	526,250
2023	610,000	156,681	766,681	425,000	102,850	527,850
2024	630,000	138,081	768,081	430,000	94,300	524,300
2025	650,000	118,881	768,881	440,000	85,050	525,050
2026	665,000	99,156	764,156	450,000	74,756	524,756
2027	690,000	78,831	768,831	460,000	63,663	523,663
2028	715,000	57,756	772,756	475,000	51,381	526,381
2029	740,000	35,469	775,469	485,000	37,575	522,575
2030	765,000	11,953	776,953	500,000	22,800	522,800
2031	-	-	-	510,000	7,650	517,650
TOTALS	\$ 7,170,000	\$ 1,272,078	\$ 8,442,078	\$ 5,385,000	\$ 898,025	\$ 6,283,025

Fiscal Year Beginning June 30th	2015 Refunding of 2010 Series Bonds			2016 Refunding of 2010 & 2011 Series Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 725,000	\$ 370,125	\$ 1,095,125	\$ 3,080,000	\$ 816,763	\$ 3,896,763
2021	750,000	348,000	1,098,000	3,210,000	690,963	3,900,963
2022	770,000	325,200	1,095,200	3,345,000	559,863	3,904,863
2023	800,000	297,650	1,097,650	3,485,000	423,263	3,908,263
2024	830,000	265,050	1,095,050	3,635,000	262,688	3,897,688
2025	865,000	226,825	1,091,825	910,000	153,613	1,063,613
2026	905,000	182,575	1,087,575	945,000	121,238	1,066,238
2027	950,000	136,200	1,086,200	975,000	92,438	1,067,438
2028	995,000	87,575	1,082,575	1,000,000	62,813	1,062,813
2029	1,030,000	47,250	1,077,250	1,030,000	35,775	1,065,775
2030	1,060,000	15,900	1,075,900	1,055,000	11,869	1,066,869
TOTALS	\$ 9,680,000	\$ 2,302,350	\$ 11,982,350	\$ 22,670,000	\$ 3,231,281	\$ 25,901,281

Fiscal Year Beginning June 30th	2016 DASNY Refunding of 2009 Series DASNY Bonds		
	Principal	Interest	Total
2020	\$ 1,170,000	\$ 266,550	\$ 1,436,550
2021	1,205,000	231,450	1,436,450
2022	1,250,000	183,250	1,433,250
2023	1,300,000	133,250	1,433,250
2024	1,365,000	68,250	1,433,250
TOTALS	\$ 6,290,000	\$ 882,750	\$ 7,172,750

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>
<u>Assessed Valuation</u>							
City of:	Ithaca	\$ 1,665,051,246	\$ 1,692,924,535	\$ 1,847,775,621	\$ 1,897,035,862	\$ 2,045,179,159	\$ 2,080,785,217
Towns of:	Candor	2,619,457	2,587,683	2,503,333	2,578,495	2,733,975	2,624,616
	Caroline	176,900,044	182,139,366	184,853,760	202,119,862	204,464,184	217,038,092
	Danby	225,865,235	247,833,781	250,667,672	256,164,245	262,932,850	275,930,956
	Dryden	297,274,300	302,812,169	320,420,439	320,874,573	328,189,770	352,802,095
	Enfield	122,851,987	124,765,142	126,391,218	133,285,647	135,093,757	143,260,096
	Ithaca	1,327,461,243	1,369,752,308	1,412,461,513	1,474,369,872	1,936,379,316	1,618,620,931
	Lansing	437,848,703	443,708,978	441,916,886	447,265,062	66,659,302	489,216,083
	Newfield	493,387	516,645	517,836	518,074	519,107	518,523
	Richford	2,160,136	1,879,868	1,945,605	1,937,194	2,025,386	1,984,878
	Ulysses	153,104,112	155,972,202	157,873,567	165,678,584	166,840,975	174,134,647
Total Assessed Valuation		<u>\$ 4,411,629,850</u>	<u>\$ 4,524,892,677</u>	<u>\$ 4,747,327,450</u>	<u>\$ 4,901,827,470</u>	<u>\$ 5,151,017,781</u>	<u>\$ 5,356,916,134</u>
<u>State Equalization Rates</u>							
City of:	Ithaca	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Towns of:	Candor	97.00%	98.50%	100.00%	98.00%	96.00%	97.00%
	Caroline	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Danby	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Dryden	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Enfield	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Ithaca	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Lansing	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Newfield	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Richford	97.00%	98.00%	98.00%	98.00%	98.00%	98.00%
	Ulysses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>Full Valuation</u>							
City of:	Ithaca	\$ 1,665,051,246	\$ 1,692,924,535	\$ 1,847,775,621	\$ 1,897,035,862	\$ 2,045,179,159	\$ 2,080,785,217
Towns of:	Candor	2,700,471	2,627,089	2,503,333	2,631,117	2,847,891	2,705,790
	Caroline	176,900,044	182,139,366	184,853,760	202,119,862	204,464,184	217,038,092
	Danby	225,865,235	247,833,781	250,667,672	256,164,245	262,932,850	275,930,956
	Dryden	297,274,300	302,812,169	320,420,439	320,874,573	328,189,770	352,802,095
	Enfield	122,851,987	124,765,142	126,391,218	133,285,647	135,093,757	143,260,096
	Ithaca	1,327,461,243	1,369,752,308	1,412,461,513	1,474,369,872	1,936,379,316	1,618,620,931
	Lansing	437,848,703	443,708,978	441,916,886	447,265,062	66,659,302	489,216,083
	Newfield	493,387	516,645	517,836	518,074	519,107	518,523
	Richford	2,226,944	1,918,233	1,985,311	1,976,729	2,066,720	2,025,386
	Ulysses	153,104,112	155,972,202	157,873,567	165,678,584	166,840,975	174,134,647
Total Full Valuation		<u>\$ 4,411,777,672</u>	<u>\$ 4,524,970,448</u>	<u>\$ 4,747,367,156</u>	<u>\$ 4,901,919,627</u>	<u>\$ 5,151,173,031</u>	<u>\$ 5,357,037,815</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>
<u>Assessed Valuation</u>							
City of:	Ithaca	\$ 1,665,051,246	\$ 1,692,924,535	\$ 1,847,775,621	\$ 1,897,035,862	\$ 2,045,179,159	\$ 2,080,785,217
Towns of:	Candor	2,619,457	2,587,683	2,503,333	2,578,495	2,733,975	2,624,616
	Caroline	176,900,044	182,139,366	184,853,760	202,119,862	204,464,184	217,038,092
	Danby	225,865,235	247,833,781	250,667,672	256,164,245	262,932,850	275,930,956
	Dryden	297,274,300	302,812,169	320,420,439	320,874,573	328,189,770	352,802,095
	Enfield	122,851,987	124,765,142	126,391,218	133,285,647	135,093,757	143,260,096
	Ithaca	1,327,461,243	1,369,752,308	1,412,461,513	1,474,369,872	1,936,379,316	1,618,620,931
	Lansing	437,848,703	443,708,978	441,916,886	447,265,062	66,659,302	489,216,083
	Newfield	493,387	516,645	517,836	518,074	519,107	518,523
	Richford	2,160,136	1,879,868	1,945,605	1,937,194	2,025,386	1,984,878
	Ulysses	153,104,112	155,972,202	157,873,567	165,678,584	166,840,975	174,134,647
Total Assessed Valuation		<u>\$ 4,411,629,850</u>	<u>\$ 4,524,892,677</u>	<u>\$ 4,747,327,450</u>	<u>\$ 4,901,827,470</u>	<u>\$ 5,151,017,781</u>	<u>\$ 5,356,916,134</u>
<u>Special Equalization Ratios</u>							
City of:	Ithaca	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
Towns of:	Candor	99.74%	97.80%	95.91%	95.93%	95.93%	N/A
	Caroline	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Danby	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Dryden	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Enfield	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Ithaca	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Lansing	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Newfield	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
	Richford	97.33%	97.44%	97.01%	95.00%	93.53%	N/A
	Ulysses	94.00%	93.92%	94.70%	94.87%	96.20%	N/A
<u>Full Valuation</u>							
City of:	Ithaca	\$ 1,771,331,113	\$ 1,802,517,605	\$ 1,951,188,618	\$ 1,999,616,172	\$ 2,125,965,862	\$ -
Towns of:	Candor	2,626,285	2,645,893	2,610,085	2,687,892	2,849,969	-
	Caroline	188,191,536	193,930,330	195,199,324	213,049,291	212,540,732	-
	Danby	240,282,165	263,877,535	264,696,591	270,016,069	273,318,971	-
	Dryden	316,249,255	322,415,001	338,353,156	338,225,543	341,153,607	-
	Enfield	130,693,603	132,841,931	133,464,855	140,492,935	140,430,101	-
	Ithaca	1,412,192,812	1,458,424,519	1,491,511,629	1,554,094,943	2,012,868,312	-
	Lansing	465,796,493	472,432,898	466,649,299	471,450,471	69,292,414	-
	Newfield	524,880	550,091	546,817	546,088	539,612	-
	Richford	2,219,394	1,929,257	2,005,572	2,039,152	2,165,493	-
	Ulysses	162,876,715	166,069,210	166,709,152	174,637,487	173,431,367	-
Total Full Valuation		<u>\$ 4,692,984,250</u>	<u>\$ 4,817,634,270</u>	<u>\$ 5,012,935,100</u>	<u>\$ 5,166,856,042</u>	<u>\$ 5,354,556,439</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.

CONTINUING DISCLOSURE UNDERTAKING

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

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Final Official Statement dated March 3, 2020 of the District relating to the Bonds under the headings "THE SCHOOL DISTRICT", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than "APPENDICES – D, E & F" and other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending June 30, 2020, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2020; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;
- (ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults; if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) modifications to rights of Bondholders; if material
 - (h) bond calls, if material, and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds; if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the District;
 - (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and;

- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (o) incurrence of a “financial obligation” (as defined in the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bondholders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

**CITY SCHOOL DISTRICT OF THE CITY OF ITHACA
TOMPKINS AND TIOGA COUNTIES, 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.

ITHACA CITY SCHOOL DISTRICT

Ithaca, New York

FINANCIAL REPORT

For the Year Ended
June 30, 2019



ITHACA CITY SCHOOL DISTRICT

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ITHACA CITY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Ithaca City School District
Ithaca, 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 Ithaca 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

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 information, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes to required supplementary information on pages 4-4j and 50-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 60-63a 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 4, 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 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 4, 2019

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The following is a discussion and analysis of the Ithaca 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 fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows 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 \$2,065,237, compared to an increase of \$8,427,865 in 2018.
- The School District ended the year with a total net deficit of \$214,196,976, a decrease in the deficit of \$5,486,131 from the prior year. The year end net position was composed of \$10,032,209 in restricted, \$77,344,316 in net investment in capital assets, and \$301,573,501 in unrestricted net deficit.
- The Statement of Activities shows total revenues of \$135,619,641 and total expenses of \$130,133,510, resulting in revenues exceeding expenses by \$5,486,131.
- The School District continues to take measures to contain the growth of General Fund operating expenditures. General Fund budgeted expenditures and other financing uses, including carry-over encumbrances, were underspent by \$2,432,159 during the current year. General Fund revenues and other financing sources exceeded budgeted amounts by \$1,953,216.
- Capital asset additions during 2019 amounted to \$4,448,890 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$6,232,158 for the current year. Net book value of disposed assets was \$25,649.
- The School District had \$51,195,000 in outstanding bond principal indebtedness at year end, a decrease of \$5,950,000 from the prior year due to principal payments on outstanding long-term debt. There were no bond anticipation notes (BANs) or revenue anticipation notes (RANs) issued or outstanding at June 30, 2019.
- Total fund balance in the General Fund, including reserves, was \$21,083,691 at June 30, 2019. Unassigned fund balance amounted to \$3,022,923, which was subject to and below the maximum limit (4% of 2019-2020 appropriations) permitted under New York State Real Property Tax Law.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-wide Financial Statements

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

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

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 financial 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net deficit for fiscal year ended June 30, 2019 decreased by \$5,486,131. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Current Assets</i>	\$ 24,174,508	\$ 26,912,638	\$ 2,738,130
<i>Noncurrent Assets</i>	9,309,269	13,071,438	3,762,169
<i>Capital Assets, Net</i>	140,160,021	138,351,104	(1,808,917)
<i>Total Assets</i>	173,643,798	178,335,180	4,691,382
<i>Pensions</i>	29,608,231	26,863,149	(2,745,082)
<i>Other Postemployment Benefits</i>	7,685,365	7,709,115	23,750
<i>Deferred Charges on Defeased Debt</i>	2,622,200	2,090,085	(532,115)
<i>Total Deferred Outflows of Resources</i>	39,915,796	36,662,349	(3,253,447)
<i>Current Liabilities</i>	14,740,364	20,717,601	5,977,237
<i>Noncurrent Liabilities</i>	372,888,628	320,940,098	(51,948,530)
<i>Total Liabilities</i>	387,628,992	341,657,699	(45,971,293)
<i>Pensions</i>	10,026,105	7,451,231	(2,574,874)
<i>Other Postemployment Benefits</i>	35,587,604	80,085,575	44,497,971
<i>Total Deferred Inflows of Resources</i>	45,613,709	87,536,806	41,923,097
<i>Net Investment in Capital Assets</i>	72,315,960	77,344,316	5,028,356
<i>Restricted</i>	10,494,398	10,032,209	(462,189)
<i>Unrestricted</i>	(302,493,465)	(301,573,501)	919,964
<i>Total Net (Deficit)</i>	\$ (219,683,107)	\$ (214,196,976)	\$ 5,486,131

The increase in current assets is primarily due to an increase in cash based on revenues exceeding expenses, along with increases in prepaid expenses and amounts due for state and federal aid. The increase in noncurrent assets is related to changes in the actuarially determined proportionate share of the pension plans net pension asset, as well as increased restricted cash from higher reserves. Deferred outflows of resources - deferred charges on defeased debt decreased based on regular amortization of deferred charges. The decrease in capital assets, net is due to depreciation expense and net book value of disposed assets exceeding capital outlay.

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.

Current liabilities increased primarily due to increases in accounts payable, amounts due to Teacher's Retirement System (TRS), and accrued interest on debt; offset by decreased current portion of bonds payable. Changes in noncurrent liabilities are primarily due to the 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.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Net investment in capital assets increased due to the net effect of capital construction projects and equipment expenditures, depreciation expense and changes in debt balances. Restricted net position decreased primarily due to decreases in Debt Service and Capital Reserve Funds.

The net effect of the School District's activities resulted in an unrestricted deficit of \$301,573,501 at June 30, 2019, compared to the unrestricted deficit of \$302,493,465 at June 30, 2018, a decrease of \$919,964 or 0.3%.

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

Figure 2

Changes in Net Position	Governmental Activities and Total School District		Total Dollar Change
	2018	2019	2018 - 2019
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 1,661,812	\$ 1,831,279	\$ 169,467
<i>Operating Grants</i>	7,787,330	7,956,554	169,224
<i>Capital Grants</i>	77,257	1,583,900	1,506,643
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	80,208,584	82,221,548	2,012,964
<i>Real Property Tax Items</i>	6,853,711	6,852,422	(1,289)
<i>State Sources</i>	30,870,526	31,604,314	733,788
<i>Use of Money and Property</i>	372,729	1,011,328	638,599
<i>Other General Revenues</i>	2,595,412	2,558,296	(37,116)
Total Revenues	\$ 130,427,361	\$ 135,619,641	\$ 5,192,280
PROGRAM EXPENSES			
<i>General Support</i>	18,530,878	18,025,103	(505,775)
<i>Instruction</i>	103,976,655	99,059,337	(4,917,318)
<i>Pupil Transportation</i>	8,860,419	8,409,136	(451,283)
<i>Community Services</i>	7,690	6,622	(1,068)
<i>School Lunch Program</i>	2,364,358	2,393,527	29,169
<i>Interest on Debt</i>	2,088,446	2,239,785	151,339
Total Expenses	\$ 135,828,446	\$ 130,133,510	\$ (5,694,936)
CHANGE IN NET POSITION	\$ (5,401,085)	\$ 5,486,131	\$ 10,887,216

Total revenues for the School District's Governmental Activities increased by \$5,192,280, or 4.0%, while total expenses decreased by \$5,694,936, or 4.2%. Capital grants increased based on an increase in SMART School State aid for capital projects. Property tax increased based on increases in the voter approved tax levy. State sources increased primarily due to increases in general aid. Use of money and property increased based on higher interest earned via investing in short term CD's throughout the year as well as higher cash balances.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The decrease in total expenses is primarily due to the net effect of GASB Statement No. 75 recognition in comparison to the prior year. The increase in interest stems from regular interest payments in accordance with debt amortization tables.

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

Figure 3

Sources of Revenue for 2019

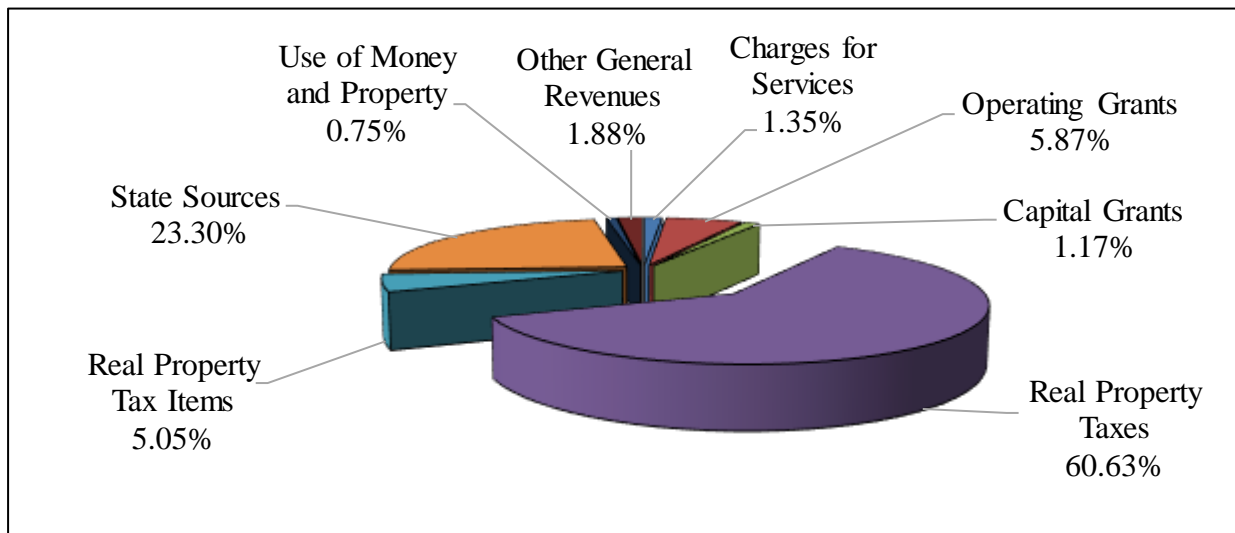
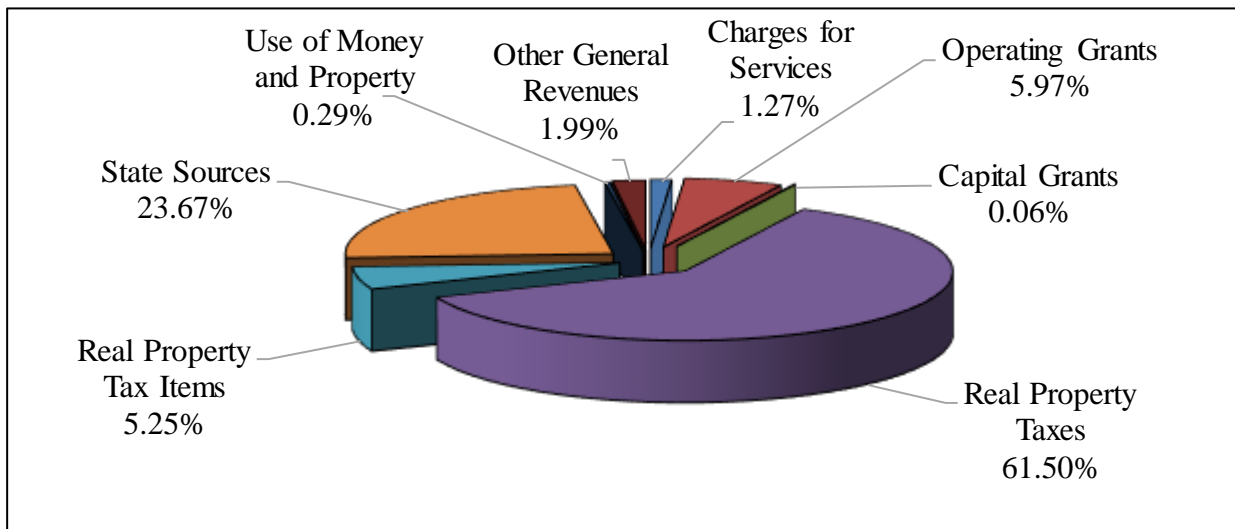


Figure 4

Sources of Revenue for 2018



ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

Figure 5

Cost of Programs for 2019

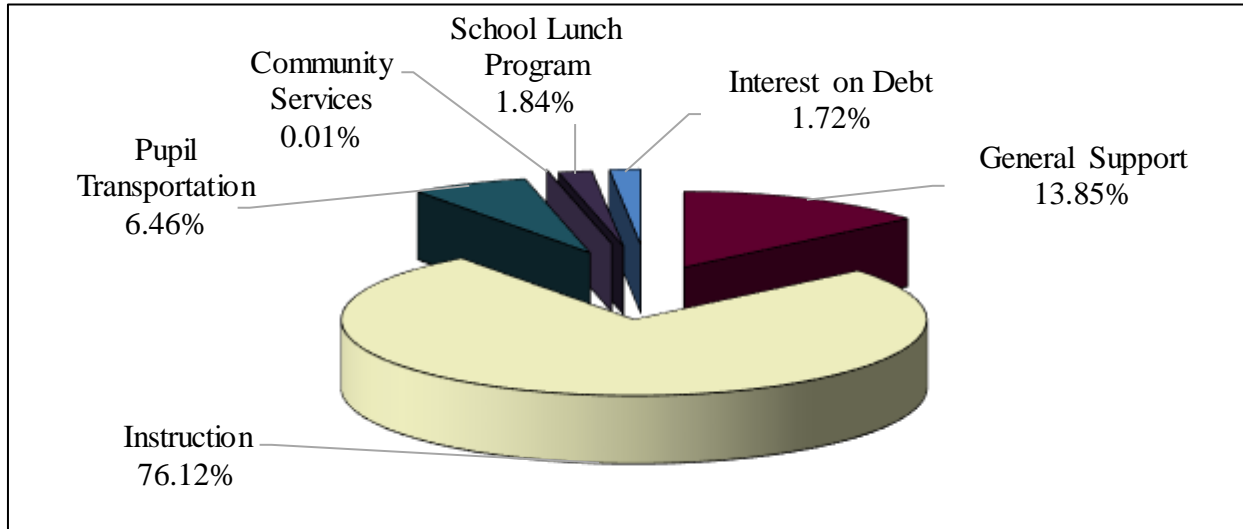
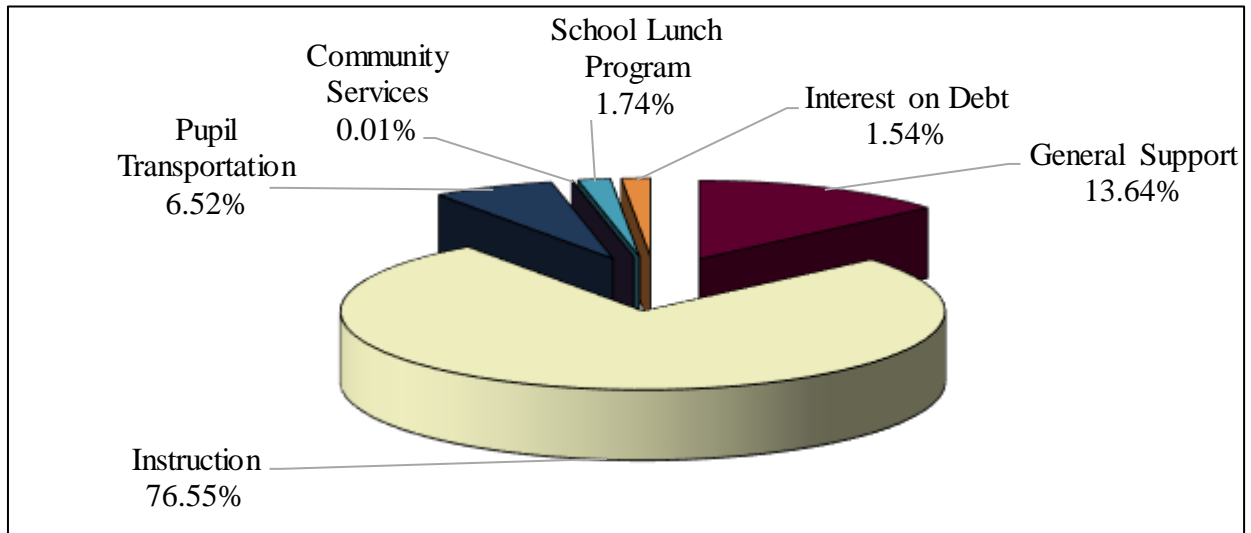


Figure 6

Cost of Programs for 2018



ITHACA 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 balances for the year for the School District's funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$21,706,440, which is less than last year's total of \$23,484,976. The General Fund increase is mainly the result of revenues exceeding expenditures. Capital Reserve Project Fund and Facilities Capital Project Fund decreased mainly due to higher capital outlay in 2019 than in 2018.

Figure 7

<i>Governmental Fund Balances</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>General Fund</i>	\$ 19,986,118	\$ 21,083,691	\$ 1,097,573
<i>School Lunch Fund</i>	811,136	831,266	20,130
<i>Debt Service Fund</i>	526,363	15,175	(511,188)
<i>Capital Reserve Project Fund</i>	2,011,366	780,895	(1,230,471)
<i>Facilities Capital Project Fund</i>	-	(1,222,164)	(1,222,164)
<i>Renovation Capital Project Fund</i>	22,833	22,833	-
<i>Non Major Funds</i>	127,160	194,744	67,584
<i>Total Governmental Funds</i>	\$ 23,484,976	\$ 21,706,440	\$ (1,778,536)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the School District budget several times. These budget amendments consisted of budget transfers between functions and the appropriation of unbudgeted revenues, which increased the overall budget.

Even with these adjustments, the actual charges to appropriations (expenditures) were below final budget amounts. The change from original to revised budget is the result of carryover encumbrances and appropriation of additional unbudgeted revenues, primarily supplemental grants. Actual expenditures, including encumbrances, were lower than the revised budget as a combined result of budgeted contingency items which did not materialize and management control over expenditures.

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ended 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>
REVENUES				
<i>Real Property Taxes</i>	\$ 87,594,206	\$ 82,399,454	\$ 82,365,944	\$ (33,510)
<i>Real Property Tax Items</i>	1,233,881	6,428,633	6,852,422	423,789
<i>State Sources</i>	31,603,485	31,728,485	32,109,344	380,859
<i>Other, Including Financing Sources</i>	3,804,804	4,040,316	5,222,394	1,182,078
Total Revenues and Other Financing Sources	\$ 124,236,376	\$ 124,596,888	\$ 126,550,104	\$ 1,953,216
Appropriated Fund Balances, Reserves, and Encumbrances	\$ 7,411,500	\$ 7,485,921		
EXPENDITURES				
<i>General Support</i>	\$ 18,136,568	\$ 18,868,409	\$ 18,201,441	\$ 666,968
<i>Instruction</i>	63,871,225	62,807,400	61,621,556	1,185,844
<i>Pupil Transportation</i>	5,783,052	5,600,021	5,217,747	382,274
<i>Community Services</i>	4,916	4,916	4,361	555
<i>Employee Benefits</i>	33,095,676	34,246,212	34,056,696	189,516
<i>Debt Service</i>	8,771,958	8,771,958	8,771,956	2
<i>Other Financing (Uses)</i>	1,984,481	1,783,893	1,776,893	7,000
Total Expenditures and Other Financing (Uses)	\$ 131,647,876	\$ 132,082,809	\$ 129,650,650	\$ 2,432,159

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. The historical cost of capital assets increased \$3,380,129, based on capital outlay exceeding the historical cost of disposed assets. Capital assets, net of accumulated depreciation of \$74,861,129, were \$138,351,104 at year end. Depreciation expense amounted to \$6,232,158 for the current year.

Figure 9

<i>Changes in Capital Assets at Historical Cost</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>Land</i>	\$ 2,690,625	\$ 2,690,625	\$ -
<i>Construction in Progress</i>	2,070,211	5,173,663	3,103,452
<i>Buildings</i>	193,390,850	193,390,850	-
<i>Furniture and Equipment</i>	11,680,418	11,957,095	276,677
Total	\$ 209,832,104	\$ 213,212,233	\$ 3,380,129

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

Capital Assets, Net of Depreciation, Beginning	\$ 140,160,021
Construction in Progress	3,103,452
Buses	1,062,737
Other Equipment	282,701
Total Additions	<u>4,448,890</u>
Less Depreciation Expense	(6,232,158)
Less Disposals, Net	<u>(25,649)</u>
Net Change in Capital Assets	<u>(1,808,917)</u>
Capital Assets, Net of Depreciation, Ending	<u>\$ 138,351,104</u>

Debt Administration

Long-term debt, considered a liability of Governmental Activities, decreased by \$6,551,920 in 2019, as shown in *Figure 10*. The decrease is related to regular principal payments on long-term debt, in accordance with bond amortization schedules. Total bonded indebtedness represented 23.4% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

Outstanding Debt	Governmental Activities and Total School District		Total Dollar Change
	2018	2019	2018 - 2019
<i>Serial Bonds</i>	\$ 57,145,000	\$ 51,195,000	\$ (5,950,000)
<i>Installment Purchase Debt</i>	9,226,720	8,624,800	(601,920)
Total	\$ 66,371,720	\$ 59,819,800	\$ (6,551,920)

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

The School District's bond rating assigned by Moody's Investor Services is Aa3.

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

ITHACA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Current projects include work connected to the New York State Smart Schools Bond Act allocation as well the first phases of the \$120 million-dollar 2019 Capital Project which was approved by the voters in May. The School District's Finance Committee continues to work closely with a Financial Advisor in structuring School District debt to avoid debt payment spikes in future budgets.
- New Roots Charter School continues to present a significant financial burden. The School District is required to pay tuition to the Charter School for each resident student. This fee creates a sizeable expenditure with no increase in revenue. The School District received 2018-19 Foundation Aid for New Roots at the rate of \$3,105.74/student, whereas the School District pays a tuition rate to New Roots at a rate of \$14,143/student.
- The financial condition of the State of New York is of continuous concern to the School District. Although State Aid comprises approximately 24% of the School District revenue, any decrease in aid or aid equal to the prior year will have an impact on educational programming for our students.
- The property tax cap also impacted 2018-19 budget development. Although there is sizable growth and development in the total taxable value in our region, the tax cap prohibits the Ithaca City School District from increasing their tax levy accordingly. These restraints discourage the School District and taxpayers from holding the tax rate steady, as that would require an override of the tax cap.
- Due to the economic condition of the State and Federal governments, School District management is concerned with projected increases in employee benefits. Increases in health insurance, workers' compensation, and educational salaries, supplies, and services continue to have an impact on the level of educational programming the School District can provide to its students.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ithaca City School District, P.O. Box 549, 400 Lake Street, Ithaca, NY.

ITHACA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS

Current Assets

Cash - Unrestricted	\$ 16,142,323
Cash - Restricted	1,918,090
Receivables:	
Taxes	1,261,926
State and Federal Aid	3,701,289
Due from Other Governments	2,034,513
Other	366,359
Inventories	127,295
Prepaid Items	1,360,843
Total Current Assets	26,912,638

Noncurrent Assets

Restricted Cash	8,546,844
Capital Assets, Net:	
Nondepreciable Capital Assets	7,864,288
Depreciable Capital Assets, Net	130,486,816
Net Pension Asset - Proportionate Share	4,524,594
Total Noncurrent Assets	151,422,542
Total Assets	178,335,180

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Defeased Debt	2,090,085
Deferred Outflows of Resources - Pensions	26,863,149
Deferred Outflows of Resources - OPEB	7,709,115
Total Deferred Outflows of Resources	36,662,349

LIABILITIES

Current Liabilities

Payables:	
Accounts Payable	5,909,989
Accrued Liabilities	356,620
Due to Other Governments	425
Bond Interest and Matured Bonds	839,558
Other Liabilities	41,232
Due to Teachers' Retirement System	4,942,002
Due to Employees' Retirement System	535,846
Compensated Absences Payable	752,451
Unearned Revenues	28,514
Current Portion of Long-term Obligations:	
Bonds Payable	6,696,975
Installment Purchase Debt Payable	613,989
Total Current Liabilities	20,717,601

Noncurrent Liabilities

Bonds Payable	47,797,569
Installment Purchase Debt Payable	8,010,811
Other Postemployment Benefits Liability	261,740,135
Net Pension Liability - Proportionate Share	3,391,583
Total Noncurrent Liabilities	320,940,098
Total Liabilities	341,657,699

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources - Pensions	7,451,231
Deferred Inflows of Resources - OPEB	80,085,575
Total Deferred Inflows of Resources	87,536,806

NET POSITION

Net Investment in Capital Assets	77,344,316
Restricted	10,032,209
Unrestricted (Deficit)	(301,573,501)
Total Net (Deficit)	\$ (214,196,976)

See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 18,025,103	\$ 16,302	\$	\$ 1,583,900	\$ (16,424,901)
Instruction	99,059,337	952,389	6,373,579		(91,733,369)
Pupil Transportation	8,409,136				(8,409,136)
Community Services	6,622				(6,622)
School Lunch Program	2,393,527	862,588	1,582,975		52,036
Interest on Debt	2,239,785				(2,239,785)
Total Functions and Programs	\$130,133,510	\$ 1,831,279	\$7,956,554	\$ 1,583,900	(118,761,777)

GENERAL REVENUES

Real Property Taxes	82,221,548
Real Property Tax Items	6,852,422
Use of Money and Property	1,011,328
State Sources	31,604,314
Sale of Property and Compensation for Loss	40,876
Miscellaneous	2,517,420

Total General Revenues	124,247,908
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Change in Net Position	5,486,131
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Total Net (Deficit) - Beginning of Year	(219,683,107)
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Total Net (Deficit) - End of Year	\$ (214,196,976)
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See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	Major Funds		
	Special Revenue Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 15,359,814	\$ 566,837	\$
Cash - Restricted	8,842,300		606,966
Taxes Receivable	1,261,926		
Due from Other Funds	5,186,349	1,480,004	16,889
State and Federal Aid Receivable	1,029,237	897,671	113,224
Due from Other Governments	2,034,513		
Other Receivables	117,842	229,389	19,128
Inventories			127,295
Prepaid Items	1,360,843		
Total Assets	\$ 35,192,824	\$ 3,173,901	\$ 883,502
LIABILITIES			
Accounts Payable	\$ 4,886,608	\$ 51,820	\$ 4,883
Accrued Liabilities	333,159	17,765	5,696
Due to Other Funds	1,448,946	3,099,960	
Due to Other Governments			425
Other Liabilities			41,232
Due to Teachers' Retirement System	4,942,002		
Due to Employees' Retirement System	535,846		
Compensated Absences Payable	752,451		
Unearned Revenues	24,158	4,356	
Total Liabilities	12,923,170	3,173,901	52,236
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	1,185,963		
FUND BALANCES			
Nonspendable	1,360,843		127,295
Restricted	8,531,806		703,971
Assigned	8,168,119		
Unassigned	3,022,923		
Total Fund Balances (Deficit)	21,083,691	-	831,266
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,192,824	\$ 3,173,901	\$ 883,502

See Notes to Basic Financial Statements

Debt Service Fund	Major Funds			Non-Major Fund	Total Governmental Funds
	Capital Reserve Fund	Facilities Fund	Renovation Fund	Other Capital Projects Fund	
\$ 215,310	\$	\$	\$ 362	\$	\$ 16,142,323
15,038	782,775		22,471	195,384	10,464,934
					1,261,926
310,631					6,993,873
		1,661,157			3,701,289
					2,034,513
					366,359
					127,295
					1,360,843
\$ 540,979	\$ 782,775	\$ 1,661,157	\$ 22,833	\$ 195,384	\$ 42,453,355
\$	\$ 1,880	\$ 964,295	\$	\$ 503	\$ 5,909,989
					356,620
525,804		1,919,026		137	6,993,873
					425
					41,232
					4,942,002
					535,846
					752,451
					28,514
525,804	1,880	2,883,321	-	640	19,560,952
					1,185,963
					1,488,138
15,175	780,895		22,833		10,054,680
				194,744	8,362,863
		(1,222,164)			1,800,759
15,175	780,895	(1,222,164)	22,833	194,744	21,706,440
\$ 540,979	\$ 782,775	\$ 1,661,157	\$ 22,833	\$ 195,384	\$ 42,453,355

ITHACA CITY SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 21,706,440**

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	\$ 213,212,233	
Less Accumulated Depreciation	<u>(74,861,129)</u>	138,351,104

Deferred inflows of resources reported in the Balance Sheet are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,185,963

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

TRS Net Pension Asset - Proportionate Share	\$ 4,524,594	
ERS Net Pension Liability - Proportionate Share	<u>(3,391,583)</u>	1,133,011

Deferred outflows of resources, including deferred charges on defeased debt, OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, are not reported in the funds. Deferred inflows of resources related to OPEB and pensions represents an acquisition of net position that applies to future periods and, therefore, are not reported in the funds.

Deferred Charges on Defeased Debt	\$ 2,090,085	
Deferred Outflows of Resources - OPEB	7,709,115	
Deferred Inflows of Resources - OPEB	(80,085,575)	
TRS Deferred Inflows of Resources - Pension	(1,181,332)	
ERS Deferred Inflows of Resources - Pension	(6,269,899)	
TRS Deferred Outflows of Resources - Pension	2,886,126	
ERS Deferred Outflows of Resources - Pension	<u>23,977,023</u>	(50,874,457)

Long-term liabilities, including bonds payable adjusted for financing transaction amortization, installment purchase debt and other postemployment benefits liability, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (51,195,000)	
Bonds Premium	(3,299,544)	
Installment Purchase Debt Payable	(8,624,800)	
Other Postemployment Benefits Liability	<u>(261,740,135)</u>	(324,859,479)

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.

Accrued Interest on Long-term Debt	<u>(839,558)</u>
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Net (Deficit) of Governmental Activities **\$ (214,196,976)**

See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 82,365,944	\$	\$
Real Property Tax Items	6,852,422		
Charges for Services	621,496		
Use of Money and Property	996,266		446
Sale of Property and Compensation for Loss	66,525		
Miscellaneous	2,517,195	1,385,381	10,150
State Sources	32,109,344	1,410,067	52,836
Medicaid Reimbursement	347,195		
Federal Sources		3,073,101	1,530,139
Sales - School Lunch			852,438
Total Revenues	125,876,387	5,868,549	2,446,009
EXPENDITURES			
General Support	15,439,934		
Instruction	60,188,581	6,416,493	1,160,009
Pupil Transportation	5,214,110	146,460	
Community Services	4,361		
Employee Benefits	34,056,696	746,774	279,012
Debt Service:			
Principal	6,551,920		
Interest	2,220,036		
Cost of Sales			1,003,747
Capital Outlay			
Total Expenditures	123,675,638	7,309,727	2,442,768
Excess (Deficiency) of Revenues Over Expenditures	2,200,749	(1,441,178)	3,241
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	673,717	1,480,004	16,889
Operating Transfers (Out)	(1,776,893)	(38,826)	
Total Other Sources (Uses)	(1,103,176)	1,441,178	16,889
Net Change in Fund Balances	1,097,573	-	20,130
Fund Balances - Beginning of Year	19,986,118	-	811,136
Fund Balances - End of Year	\$ 21,083,691	\$ -	\$ 831,266

See Notes to Basic Financial Statements

Debt Service Fund	Major Funds			Non-Major Fund	Total Governmental Funds
	Capital Projects Funds			Other Capital Projects Fund	
Capital Reserve Fund	Facilities Fund	Renovation Fund			
\$	\$	\$	\$	\$	\$ 82,365,944
					6,852,422
					621,496
14,616					1,011,328
					66,525
				225	3,912,951
		1,583,900			35,156,147
					347,195
					4,603,240
					852,438
14,616	-	1,583,900	-	225	135,789,686
					15,439,934
					67,765,083
					5,360,570
					4,361
					35,082,482
					6,551,920
					2,220,036
					1,003,747
	1,121,384	2,806,064		212,641	4,140,089
-	1,121,384	2,806,064	-	212,641	137,568,222
14,616	(1,121,384)	(1,222,164)	-	(212,416)	(1,778,536)
				280,000	2,450,610
(525,804)	(109,087)				(2,450,610)
(525,804)	(109,087)	-	-	280,000	-
(511,188)	(1,230,471)	(1,222,164)	-	67,584	(1,778,536)
526,363	2,011,366	-	22,833	127,160	23,484,976
\$ 15,175	\$ 780,895	\$(1,222,164)	\$ 22,833	\$ 194,744	\$ 21,706,440

ITHACA CITY SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ (1,778,536)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and loss on disposals exceeded capital outlay.

Capital Outlay, Net	\$ 4,448,890	
Depreciation Expense	(6,232,158)	
Disposal of Capital Assets, Net	<u>(25,649)</u>	(1,808,917)

Real property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Current Year Deferred Revenue	\$ 1,185,963	
Prior Year Deferred Revenue	<u>(1,330,359)</u>	(144,396)

Long-term debt proceeds and related issue costs and deferred amounts on refunding provide current financial resources to Governmental Funds, but issuing debt and the related premiums increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Payment on Bonds	\$ 5,950,000	
Amortized Bond Premium	817,468	
Principal Payment on Installment Debt	601,920	
Deferred Charges on Defeased Debt	<u>(532,115)</u>	6,837,273

Long-term liabilities, such as those associated with employee benefits, are not reported in the Balance Sheet. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the decrease in the amount that is reported in the Statement of Activities:

Other Postemployment Benefits Liability		2,065,237
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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 accrued interest payable increased from the prior year.

Interest Payable		(305,102)
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Changes in the School District's proportionate share of net pension assets/liabilities have no effect on the 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 affect current financial resources and therefore are not reported in the Governmental Funds.

ERS	\$ 979,691	
TRS	<u>(359,119)</u>	<u>620,572</u>

Net Change in Net Position of Governmental Activities **\$ 5,486,131**

See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 1,909,206
Cash - Restricted	246,690	
Investments - Restricted	535,981	
Accounts Receivable	21	4,169,785
Total Assets	782,692	\$ 6,078,991
 LIABILITIES		
Extraclassroom Activity Funds Balance		\$ 313,778
Other Liabilities		5,765,213
Total Liabilities	-	\$ 6,078,991
 NET POSITION		
Reserved for Scholarships	\$ 782,692	

See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

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

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 6,023
Investment Earnings	1,567
Total Additions	7,590
 DEDUCTIONS	
Scholarships and Awards	29,061
Change in Net Position	(21,471)
Net Position - Beginning of Year	804,163
Net Position - End of Year	\$ 782,692

See Notes to Basic Financial Statements

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

The accompanying financial statements of the Ithaca 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 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 Ithaca City School District's business office, located at 400 Lake Street, Ithaca, NY.

ITHACA 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 nine component school districts in the Tompkins-Seneca-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

Basis of Presentation - District-wide Financial Statements

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

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

ITHACA 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: This is 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: Account for proceeds of specific revenue sources (other than capital projects) legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - Special Aid Fund: Accounts for the proceeds of specific revenue sources, such as federal, state and local grants legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
 - School Lunch Fund: Accounts for revenues and expenditures in connection with the School District's food service program.
- Debt Service Fund: Accounts for accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- Capital Project Funds
 - Capital Reserve Fund: Accounts for financial reserves used for acquisition and construction of minor renovations to the educational complexes.
 - Facilities Fund: Accounts for financial resources used for reconstruction of various School District facilities and construction/reconstruction of additions to School District facilities.
 - Renovation Fund: Accounts for financial resources used for acquisition and construction of any major renovations to the educational complexes.

ITHACA 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 - Continued

The School District also reports the following Non-Major Fund:

- Other Capital Project Funds: Accounts for financial resources used for acquisition, construction, or major repairs to other capital facilities.

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

The School District reports the following Fiduciary Funds:

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

Measurement Focus and Basis of Accounting

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

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

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Cash and Investments

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

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.

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.

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Capital Assets

Capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	20 - 40 Years
Improvements	5,000	15 - 20 Years
Furniture and Equipment	5,000	5 - 20 Years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District reports deferred outflows of resources related to pensions in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB are described in Notes 10 and 11.

In addition to liabilities, the Statement of Net Position and the Balance Sheet - Governmental Funds 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's Governmental Funds' deferred inflows of resources arise under the modified accrual basis of accounting. Accordingly, the applicable item, unavailable revenue, is reported only on the Balance Sheet - Governmental Funds. At June 30, 2019, the School District's deferred inflows of resources consisted of \$1,185,963 in property taxes not collected within 60 days subsequent to year end. The School District also reports deferred inflows of resources related to pensions and OPEB which are further described in Notes 10 and 11.

ITHACA 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, vacation, and sabbatical time.

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Postemployment Benefits

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

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

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Unearned and Unavailable Revenue

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

The Governmental Fund financial statements may also report deferred inflow of resources, if applicable, 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 deferred inflow of resources is removed and revenues are recorded. Unavailable revenues are reported as deferred inflows of resources on the Balance Sheet.

Restricted Resources

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

Accrued Liabilities and Long-Term Obligations

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

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

ITHACA 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 Classifications - 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 School District’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 School District’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.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned: Represents the residual classification of the School District'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 fund balance. By resolution, the Board of Education authorized the Superintendent to assign fund balance. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, then 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:

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Legally Adopted Reserves - Continued

- Property Loss Reserve and Liability Reserve (Education Law §1709(8)c): used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund.
- Mandatory Reserve for Debt Service: (GML §6-l): used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- Retirement Contribution Reserve (GML §6-r): used for the purpose of financing retirement contributions. This 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.
- Unemployment Insurance Reserve: a self-insurance plan for unemployment insurance the School District carries. The reserve is funded annually through budgetary provisions in the General Fund. Such reserve is recorded in the General Fund and, in the opinion of management, is adequate to fund the eventual loss on claims arising prior to year end.
- Employee Benefit Accrued Liability Reserve (GML §6-p): used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a): used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General Fund.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Legally Adopted Reserves - Continued

- Insurance Liability Reserve (GML §6-n): used to fund certain losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments. 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 October 1, and became a lien on August 30, 2018. Taxes were collected during the period October 1, to December 28, 2018.

Property Taxes - Enforcement

Uncollected real property taxes are subsequently enforced by Tompkins County, Tioga County, and the City of Ithaca. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the following April 1. Real property taxes enforced by the City are paid to the School District when the City collects them.

Interfund Transfers

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

Use of Estimates

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

New Accounting Standards

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

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

Future Changes in Accounting Standards

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

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

***Note 2* Participation in BOCES**

During the year ended June 30, 2019, the School District's share of BOCES income amounted to \$4,521,140. The School District was billed \$16,296,365 for BOCES administration and program costs. Financial statements for Tompkins-Seneca-Tioga BOCES are available from the BOCES administrative office at 555 Warren Road, Ithaca, NY.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

The School District's aggregate bank balances of \$29,237,295, including certificates of deposit, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District has few investments (primarily donated scholarship funds) and 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 either:

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

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ 4,599	\$ 4,599	Stock	N/A
Private Purpose Trust Fund	531,382	531,382	Certificates of Deposit	(1)

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.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risks - Continued

Restricted cash at June 30, 2019 consisted of the following:

General Fund Reserves	\$ 8,531,806
General Fund Restricted for Debt Service	310,494
Restricted for Capital Reserve	782,775
Restricted for Capital Renovations	22,471
Restricted for Capital Projects	195,384
Restricted for Debt Service	15,038
Restricted for School Lunch	606,966
Subtotal	<u>10,464,934</u>
Private Purpose Trust Fund	<u>246,690</u>
Total	<u><u>\$ 10,711,624</u></u>

Note 4 Other Receivables

Other receivables at June 30, 2019 consisted of the following, which are stated at net realizable value.

	<u>Description</u>	<u>Amount</u>
General Fund	Billings for Services	\$ 117,842
Special Aid Fund	Billings for Services	229,389
School Lunch Fund	Billings for Services	<u>19,128</u>
Total		<u><u>\$ 366,359</u></u>

Note 5 Interfund Balances and Activity

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 5,186,349	\$ 1,448,946	\$ 673,717	\$ 1,776,893
Special Aid Fund	1,480,004	3,099,960	1,480,004	38,826
School Lunch Fund	16,889		16,889	
Capital Reserve Fund				109,087
Capital Facilities Fund		1,919,026		
Other Capital Project Funds		137	280,000	
Debt Service Fund	<u>310,631</u>	<u>525,804</u>		<u>525,804</u>
Total	<u><u>\$ 6,993,873</u></u>	<u><u>\$ 6,993,873</u></u>	<u><u>\$ 2,450,610</u></u>	<u><u>\$ 2,450,610</u></u>

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 5 Interfund Balances and Activity - Continued

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize 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.

Note 6 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets that are Not Depreciated:				
Land	\$ 2,690,625	\$	\$	\$ 2,690,625
Construction in Progress	2,070,211	3,103,452		5,173,663
Total Nondepreciable Historical Cost	<u>4,760,836</u>	<u>3,103,452</u>	<u>-</u>	<u>7,864,288</u>
Capital Assets that are Depreciated:				
Buildings	193,390,850			193,390,850
Furniture and Equipment	11,680,418	1,345,438	(1,068,761)	11,957,095
Total Depreciable Historical Cost	<u>205,071,268</u>	<u>1,345,438</u>	<u>(1,068,761)</u>	<u>205,347,945</u>
Total Historical Cost	<u>209,832,104</u>	<u>4,448,890</u>	<u>(1,068,761)</u>	<u>213,212,233</u>
Less Accumulated Depreciation:				
Buildings	(63,447,978)	(5,246,531)		(68,694,509)
Furniture and Equipment	(6,224,105)	(985,627)	1,043,112	(6,166,620)
Total Accumulated Depreciation	<u>(69,672,083)</u>	<u>(6,232,158)</u>	<u>1,043,112</u>	<u>(74,861,129)</u>
Total Historical Cost, Net	<u>\$ 140,160,021</u>	<u>\$ (1,783,268)</u>	<u>\$ (25,649)</u>	<u>\$ 138,351,104</u>

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 6 Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 134,332
Instruction	5,222,177
School Lunch Program	371
Pupil Transportations	<u>875,278</u>
Total	<u>\$ 6,232,158</u>

Note 7 Short-term Debt

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

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 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

Note 8 Long-term Debt

At June 30, 2019, the total outstanding indebtedness of the School District represented 23.4% of its statutory debt limit, exclusive of building aids. The statutory debt limit is calculated as follows:

Five-year average of full valuation of taxable property	\$5,104,482,975
5% of the five-year average of full valuation of taxable property	255,224,149
Debt subject to statutory debt limit	59,819,800
Debt subject to statutory debt limit/5% of the five-year average	23.4%

Long-term debt is classified as follows:

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

ITHACA 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 notes payable and 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>
Serial Bonds:				
Capital Improvement	07/12	07/29	2.00% - 3.13%	\$ 7,170,000
Refunding	11/15	07/29	3.00% - 5.00%	9,680,000
Refunding - Series B	05/16	12/24	2.00% - 5.00%	6,290,000
Capital Improvement	07/15	07/30	2.00% - 3.00%	5,385,000
Refunding	10/16	07/30	0.90% - 5.00%	22,670,000
Total Serial Bonds				<u>51,195,000</u>
Plus Unamortized Premium on Obligations				<u>3,299,544</u>
Total				<u>\$ 54,494,544</u>

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

Interest Paid	\$ 2,220,036
(Less) Interest Accrued in the Prior Year	(534,456)
Plus Interest Accrued in the Current Year	839,558
(Less) Amortization of Bond Premium	(817,468)
Plus Deferred Amount on Refunding	<u>532,115</u>
Total	<u>\$ 2,239,785</u>

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

On November 12, 2015 the School District issued \$10,520,000 general obligation bonds, with interest rates ranging between 3.00% and 5.00% and a premium of \$1,196,654 to advance refund \$10,845,000 of outstanding various general obligation bonds with interest rates ranging from 3.00% to 4.125%. The net proceeds of \$11,589,597 (after payment of \$127,057 in underwriting fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the refunded bonds are considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of defeased bonds was \$9,680,000 at June 30, 2019.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 8 Long-term Debt - Continued

On May 27, 2016 the School District issued \$6,320,000 general obligation bonds, with interest rates ranging between 2.0% and 5.0% and a premium of \$1,126,751 to advance refund \$6,430,000 of outstanding various general obligation bonds with interest rates ranging from 3.0% to 5.0%. The net proceeds of \$7,297,184 (after payment of \$149,567 in underwriting fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the refunded bonds are considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of defeased bonds was \$6,290,000 at June 30, 2019.

On October 27, 2016 the School District issued \$23,220,000 general obligation bonds, with interest rates ranging between 0.9% and 5.0% and a premium of \$2,772,805 to advance refund \$23,925,000 of outstanding various general obligation bonds with interest rates ranging from 3.25% to 4.0%. The net proceeds of \$25,798,598 (after payment of \$194,207 in underwriting fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the refunded bonds are considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of defeased bonds was \$22,670,000 at June 30, 2019.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2017 Refunding Bonds	\$ 2,622,200	\$	\$ (532,115)	\$ 2,090,085
Total	\$ 2,622,200	\$ -	\$ (532,115)	\$ 2,090,085

Long-term liability balances and activity for the year 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	\$ 57,145,000	\$	\$ (5,950,000)	\$ 51,195,000	\$ 5,920,000
Unamortized Premium	4,117,012		(817,468)	3,299,544	776,975
Installment Purchase Debt	9,226,720		(601,920)	8,624,800	613,989
Total	\$ 70,488,732	\$ -	\$ (7,369,388)	\$ 63,119,344	\$ 7,310,964

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 8 Long-term Debt - Continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,920,000	\$ 2,679,406	\$ 8,599,406
2021	6,135,000	2,345,268	8,480,268
2022	6,365,000	1,986,438	8,351,438
2023	6,620,000	1,609,612	8,229,612
2024	6,890,000	1,182,644	8,072,644
2025-2029	15,375,000	2,530,504	17,905,504
2030-2032	3,890,000	91,172	3,981,172
Total	\$ 51,195,000	\$ 12,425,044	\$ 63,620,044

Capital Leases (Installment Purchase Debt)

The School District is obligated under certain leases accounted for as capital leases. Net book value of assets purchased under capital leases totaled \$8,429,733 at June 30, 2019.

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Installment Purchase Debt	08/16	08/31	1.995%	\$ 8,624,800

The following is a schedule of future minimum lease payments under capital leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 613,989	\$ 169,018	\$ 783,007
2021	626,299	156,708	783,007
2022	638,856	144,151	783,007
2023	651,664	131,342	783,006
2024	664,730	118,276	783,006
2025-2029	3,528,988	386,043	3,915,031
2030-2032	1,900,274	57,242	1,957,516
Total	\$ 8,624,800	\$ 1,162,780	\$ 9,787,580

Note 9 Compensated Absences

Represents unpaid accumulated annual vacation time. This liability is liquidated from the General Fund. 2018-2019 activity consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated Absences	\$ 650,435	\$ 102,016	\$	\$ 752,451
Total	\$ 650,435	\$ 102,016	\$ -	\$ 752,451

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

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

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

ITHACA 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 RSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan 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. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

ITHACA 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

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	ERS	TRS
2019	\$ 2,164,853	\$ 3,994,249
2018	2,149,254	4,485,144
2017	2,126,060	4,906,864

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

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

	ERS	TRS
Actuarial Valuation Date	4/1/2018	6/30/2017
Net Pension Asset/Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	3,391,583	(4,524,594)
School District's Share of the Net Pension Asset/Liability	0.0478679%	0.250218%

ITHACA 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 Asset/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 \$2,526,501 for ERS and \$3,465,161 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	\$ 667,874	\$ 3,381,193	\$ 227,671	\$ 612,466
Changes of Assumptions	852,505	15,816,424		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments		336,627	870,468	5,022,644
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	826,870		83,193	634,789
School District's Contributions Subsequent to the Measurement Date	538,877	4,442,779		
Total	\$ 2,886,126	\$ 23,977,023	\$ 1,181,332	\$ 6,269,899

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:

<u>Year Ending</u>	<u>ERS</u>	<u>TRS</u>
2020	\$943,133	\$4,488,792
2021	(427,452)	3,032,744
2022	117,697	278,363
2023	532,539	3,022,084
2024		2,029,732
Thereafter		412,630

ITHACA 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:

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

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System 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 the 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.

ITHACA 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

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 investments expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Asset Type		
Domestic Equities	4.6%	5.8%
International Equities	6.4%	7.3%
Global Equities		6.7%
Real Estate	5.6%	4.9%
Private Equity/Alternative Investments	7.5%	8.9%
Absolute Return Strategies	3.8%	
Opportunistic Portfolio	5.7%	
Real Assets	5.3%	
Cash	(0.3)%	
Inflation-indexed Bonds	1.3%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.8%
Real Estate Debt		2.8%
High-yield Fixed Income Securities		3.5%
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 upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 14,828,541	\$ 3,391,583	\$ (6,216,274)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 31,084,699	\$ (4,524,594)	\$ (34,355,286)

Pension Plan Fiduciary Net Position

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

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

ITHACA 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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$535,846.

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 \$4,942,002.

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:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ 1,493,366	\$ 1,898,217	\$ 3,391,583
Deferred Outflows of Resources	(5,023,486)	2,137,360	(2,886,126)
Deferred Inflows of Resources	4,857,790	(3,676,458)	1,181,332
Subtotal	<u>1,327,670</u>	<u>359,119</u>	<u>1,686,789</u>
TRS			
Net Pension Asset	(1,835,597)	(2,688,997)	(4,524,594)
Deferred Outflows of Resources	(24,584,745)	607,722	(23,977,023)
Deferred Inflows of Resources	5,168,315	1,101,584	6,269,899
Subtotal	<u>(21,252,027)</u>	<u>(979,691)</u>	<u>(22,231,718)</u>
Total	<u>\$ (19,924,357)</u>	<u>\$ (620,572)</u>	<u>\$ (20,544,929)</u>

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 11* Other Postemployment Benefits**

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. 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, because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	702
Inactive Employees Entitled to but Not yet Receiving Benefit Payments	-
Active Employees Not Fully Eligible for Benefits	<u>1,120</u>
Total	<u><u>1,822</u></u>

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Total OPEB Liability

The School District's total OPEB liability of \$261,740,135 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 in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	3.9%
Single Discount Rate	3.9%
Salary Scale	3.5%
Rate of Inflation	2.4%
Marital Assumption	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	7.00% for 2019, Decreasing to an Ultimate Rate of 3.8% for 2089 and Later Years

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index 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 Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the 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.

Election Percentage: It was assumed that 100% of future retirees eligible for coverage will elect retiree group benefits. It was assumed that participants who are currently not Medicare eligible will migrate into the Gold Anywhere PPO with MVP Part D Prescription Plan upon Medicare eligibility. Retirees already Medicare eligible and still participating in NY44 are assumed to continue in NY44.

Spousal Coverage: It was assumed that 70% of future retirees will elect spousal coverage upon retirement.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Other Postemployment Benefits - Continued

Total OPEB Liability - Continued

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

The actuarial assumptions used in the July 1, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 308,279,593
Changes for the Year	
Service Cost	9,760,782
Interest Cost	11,311,116
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(29,901,783)
Changes in Assumptions or Other Inputs	(30,024,208)
Benefit Payments	(7,685,365)
Net Change	(46,539,458)
Balance at June 30, 2019	\$ 261,740,135

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60% percent in 2018 to 3.87% in 2019.

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:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 306,976,163	\$ 261,740,135	\$ 225,487,811

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Other Postemployment Benefits - Continued

Changes in the Total OPEB Liability - Continued

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 216,202,335	\$ 261,740,135	\$ 320,854,703

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 \$5,643,878.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$	\$ 25,432,159
Changes in Assumptions or Other Inputs		54,653,416
Contributions Subsequent to Measurement Date	<u>7,709,115</u>	
Total	<u>\$ 7,709,115</u>	<u>\$ 80,085,575</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (15,428,020)
2021	(15,428,020)
2022	(15,428,020)
2023	(15,428,020)
2024	(12,192,786)
Thereafter	(6,180,709)

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Current Year Activity:

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 308,279,593	\$ (46,539,458)	\$ 261,740,135
Deferred Outflows of Resources	(7,685,365)	(23,750)	(7,709,115)
Deferred Inflows of Resources	35,587,604	44,497,971	80,085,575
Total Effect on Net Position	\$ 336,181,832	\$ (2,065,237)	\$ 334,116,595

***Note 12* Commitments and Contingencies**

Risk Financing and Related Insurance - General Information

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

Risk Financing and Related Insurance - Health Insurance

The School District is self-insured for employee medical, dental, and prescription drug insurance coverage. The School District uses a third party administrator who is responsible for processing claims and estimating liabilities. The School District has also purchased stop-loss insurance for major medical claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-out and other economic and social factors.

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$22,461,367.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Risk Financing and Related Insurance - Workers' Compensation Insurance

The School District incurs costs related to a workers' compensation insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School Districts joining the Plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by forwarding a resolution passed by the School District's Board of Education prior to the end of the fiscal year.

Plan members include eight districts and one BOCES, with the School District bearing a 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 reinsured.

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

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$964,507.

Risk Financing and Related Insurance - Non-Pool, Risk Retained

The School District has chosen to establish a self-insured plan for risks associated with unemployment insurance, which is accounted for in the School District's General Fund and a reserve and includes provisions for unexpected and unusual claims.

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.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 13 Fund Balance Detail

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

	General Fund	School Lunch Fund	Debt Service Fund	Capital Reserve Fund	Capital Renovation Fund	Other Capital Projects Fund
Nonspendable						
Inventory	\$	\$ 127,295	\$	\$	\$	\$
Prepaid Items	1,360,843					
Total Nonspendable Fund Balance	<u>\$ 1,360,843</u>	<u>\$ 127,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted						
Retirement Contribution Reserve	\$ 3,325,345	\$	\$	\$	\$	\$
Tax Certiorari Reserve	593,486					
Insurance Liability Reserve	252,876					
Unemployment Insurance Reserve	151,677					
Property Loss and Liability Reserve	393,428					
Employee Benefit Accrued Liability Reserve	487,291					
Capital Reserve	3,327,703					
Capital Reserve Fund				780,895		
Capital Renovation Fund					22,833	
School Lunch		703,971				
Debt			15,175			
Total Restricted Fund Balance	<u>\$ 8,531,806</u>	<u>\$ 703,971</u>	<u>\$ 15,175</u>	<u>\$ 780,895</u>	<u>\$ 22,833</u>	<u>\$ -</u>
Assigned						
Appropriated for Next Year's Budget	\$ 3,970,000	\$	\$	\$	\$	\$
Encumbered for:						
General Support	2,761,507					
Instruction	1,432,975					
Pupil Transportation	3,637					
Employee Benefits						
Other Capital Projects Fund						194,744
Total Assigned Fund Balance	<u>\$ 8,168,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,744</u>

Reconciliation Between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net position differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as part of net investment in capital assets in the Statement of Net Position and because school lunch inventory and prepaid items are reported as nonspendable fund balance in the fund financial statements and part of restricted net position in the Statement of Net Position.

Restricted Fund Balance in the Fund Financial Statements	\$ 10,054,680
Less Unspent Debt Proceeds	<u>(22,471)</u>

Restricted Net Position in the District-wide Financial Statements	<u>\$ 10,032,209</u>
--------------------------------------------------------------------------	-----------------------------

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 14 General Fund Restricted Fund Balances

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

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Unemployment Insurance Reserve	\$ 151,417	\$	\$ 260	\$	\$ 151,677
Retirement Contribution Reserve	3,303,957		21,388		3,325,345
Property Loss and Liability Reserve	391,808		1,620		393,428
Tax Certiorari Reserve	589,669		3,817		593,486
Insurance Liability Reserve	250,340		2,536		252,876
Employee Benefit Accrued Liability Reserve	558,283		3,429	(74,421)	487,291
Capital Reserve	2,017,403	1,304,740	5,560		3,327,703
Total	\$ 7,262,877	\$ 1,304,740	\$ 38,610	\$ (74,421)	\$ 8,531,806

Note 15 Stewardship, Compliance and Accountability

Deficit Net Position

At June 30, 2019, the District-wide Statement of Net Position had an unrestricted deficit net position of \$301,573,501. This is primarily the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this. (See Note 11). The deficit is not expected to be eliminated during the normal course of operations.

Note 16 Tax Abatements

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the Tompkins County Industrial Development Agency (TCIDA), the City of Ithaca (the City), and the Town of Ithaca (the Town).

TCIDA enters into payment in lieu of taxes (PILOT) agreements with businesses within Tompkins County under New York State General Municipal Law 858. Economic development agreements entered into by TCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which TCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

ITHACA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

***Note 16* Tax Abatements - Continued**

The Town entered into a property tax abatement agreement with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town.

Information relevant to disclosure of the program for the year ended June 30, 2019 is as follows:

	<u>Taxable Assessed Value</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Tompkins County Industrial Development Agency	\$ 154,712,000	16.99	\$ 2,628,557	\$ 1,246,725	\$ 1,381,832
Town of Ithaca	<u>7,040,000</u>	16.99	<u>119,609</u>	<u>100,212</u>	<u>19,397</u>
Total PILOT Agreements	<u>\$ 161,752,000</u>		<u>\$ 2,748,165</u>	<u>\$ 1,346,937</u>	<u>\$ 1,401,228</u>

ITHACA CITY SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real Property Taxes	\$ 87,594,206	\$ 82,399,454	\$ 82,365,944	\$ (33,510)
Real Property Tax Items	1,233,881	6,428,633	6,852,422	423,789
Charges for Services	616,000	616,000	621,496	5,496
Use of Money and Property	108,100	108,100	996,266	888,166
Sale of Property and Compensation for Loss	28,000	28,000	66,525	38,525
Miscellaneous	2,267,813	2,503,325	2,517,195	13,870
Total Local Sources	<u>91,848,000</u>	<u>92,083,512</u>	<u>93,419,848</u>	<u>1,336,336</u>
State Sources	31,603,485	31,728,485	32,109,344	380,859
Medicaid Reimbursement	150,000	150,000	347,195	197,195
Total Revenues	<u>123,601,485</u>	<u>123,961,997</u>	<u>125,876,387</u>	<u>1,914,390</u>
OTHER FINANCING SOURCES				
Operating Transfers In	634,891	634,891	673,717	38,826
Total Revenues and Other Financing Sources	<u>124,236,376</u>	<u>124,596,888</u>	<u>\$126,550,104</u>	<u>\$ 1,953,216</u>
Appropriated Fund Balance	3,230,000	3,230,000		
Appropriated Reserves	1,000,000	1,074,421		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	3,181,500	3,181,500		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 131,647,876</u>	<u>\$132,082,809</u>		

See Notes to Required Supplementary Information

ITHACA CITY SCHOOL DISTRICT

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

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 134,458	\$ 155,506
Central Administration	364,659	375,494
Finance	1,153,763	1,152,041
Staff	1,434,962	1,436,442
Central Services	10,921,702	11,620,092
Special Items	4,127,024	4,128,834
Total General Support	18,136,568	18,868,409
Instruction		
Instruction, Administration, and Improvement	6,667,251	6,884,787
Teaching - Regular School	33,818,492	33,050,084
Programs for Children with Handicapping Conditions	14,967,115	14,356,221
Occupational Education	1,475,996	1,474,846
Teaching - Special School	86,480	89,917
Instructional Media	2,031,312	2,051,268
Pupil Services	4,824,579	4,900,277
Total Instruction	63,871,225	62,807,400
Pupil Transportation	5,783,052	5,600,021
Community Services	4,916	4,916
Employee Benefits	33,095,676	34,246,212
Debt Service		
Principal	6,551,921	6,551,921
Interest	2,220,037	2,220,037
Total Debt Service	8,771,958	8,771,958
Total Expenditures	129,663,395	130,298,916
OTHER FINANCING USES		
Operating Transfers Out	1,984,481	1,783,893
Total Expenditures and Other Financing Uses	\$ 131,647,876	\$ 132,082,809
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 140,916	\$ 4,893	\$ 9,697
367,898	119	7,477
1,056,434	20,311	75,296
1,140,484	214,835	81,123
10,491,713	826,792	301,587
2,242,489	1,694,557	191,788
15,439,934	2,761,507	666,968
6,345,977	101,439	437,371
32,188,717	861,367	-
13,436,305	432,809	487,107
1,474,846		-
82,917		7,000
1,985,036	370	65,862
4,674,783	36,990	188,504
60,188,581	1,432,975	1,185,844
5,214,110	3,637	382,274
4,361		555
34,056,696	-	189,516
6,551,920		1
2,220,036		1
8,771,956	-	2
123,675,638	4,198,119	2,425,159
1,776,893	-	7,000
125,452,531	\$ 4,198,119	\$ 2,432,159
1,097,573		
19,986,118		
\$ 21,083,691		

ITHACA CITY SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$2,164,853	\$2,149,254	\$2,126,060
Contributions in Relation to the Contractually Required Contribution	(2,164,853)	(2,149,254)	(2,126,060)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	15,046,017	14,526,936	13,663,001
Contributions as a Percentage of Covered - Employee Payroll	14.4%	14.8%	15.6%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$4,442,779	\$3,994,249	\$4,485,144
Contributions in Relation to the Contractually Required Contribution	(4,442,779)	(3,994,249)	(4,485,144)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	41,794,722	34,080,623	38,269,147
Contributions as a Percentage of Covered - Employee Payroll	10.6%	9.8%	11.7%

See Notes to Required Supplementary Information

2016	2015	2014	2013	2012	2011	2010
<u>\$2,122,787</u>	<u>\$2,794,159</u>	<u>\$2,999,979</u>	<u>\$2,419,419</u>	<u>\$2,068,760</u>	<u>\$1,571,275</u>	<u>\$ 976,384</u>
(2,122,787)	(2,794,159)	(2,999,979)	(2,419,419)	(2,068,760)	(1,571,275)	(976,384)
-	-	-	-	-	-	-
13,498,982	14,381,042	14,399,942	14,223,267	13,527,139	13,579,011	13,358,138
15.7%	19.4%	20.8%	17.0%	15.3%	11.6%	7.3%

2016	2015	2014	2013	2012	2011	2010
<u>\$4,906,864</u>	<u>\$6,361,502</u>	<u>\$6,117,010</u>	<u>\$3,915,430</u>	<u>\$2,988,882</u>	<u>\$2,233,010</u>	<u>\$2,759,126</u>
(4,906,864)	(6,361,502)	(6,117,010)	(3,915,430)	(2,988,882)	(2,233,010)	(2,759,126)
-	-	-	-	-	-	-
37,005,008	36,289,230	37,643,138	33,069,510	26,902,628	25,904,988	44,573,926
13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%

ITHACA 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>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net Pension Asset/Liability	0.0478679%	0.0462708%	0.0425747%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 3,391,583	\$ 1,493,366	\$4,000,418
School District's Covered-employee Payroll During the Measurement Period	15,046,017	14,411,936	13,413,356
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-employee Payroll	22.5%	10.4%	29.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	96.3%	98.2%	94.7%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net Pension Asset/Liability	0.250218%	0.241494%	0.239809%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (4,524,594)	\$(1,835,597)	\$2,568,459
School District's Covered-employee Payroll During the Measurement Period	34,080,623	38,269,147	37,005,008
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-employee Payroll	13.3%	4.8%	6.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	101.5%	100.7%	99.0%

See Notes to Required Supplementary Information

2016	2015
0.0462759%	0.0505510%
\$ 7,427,417	\$ 1,707,736
13,290,832	14,744,445
55.9%	11.6%
90.7%	97.9%

2016	2015
0.241584%	0.254835%
\$(25,092,902)	\$(28,387,060)
36,289,230	37,643,267
69.1%	75.4%
100.5%	111.5%

ITHACA CITY SCHOOL DISTRICT

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

	2019	2018	2017
Service Cost	\$ 9,760,782	\$ 12,775,684	\$ *
Interest Cost	11,311,116	9,808,019	*
Changes of Benefit Terms	-	-	*
Differences Between Expected and Actual Experience	(29,901,783)	-	*
Changes in Assumptions or Other Inputs	(30,024,208)	(42,058,077)	*
Benefit Payments	(7,685,365)	(7,222,740)	*
	(46,539,458)	(26,697,114)	*
Total OPEB Liability - Beginning	308,279,593	334,976,707	*
Total OPEB Liability - Ending	\$261,740,135	\$308,279,593	\$334,976,707
Covered Employee Payroll	\$ 55,823,339	\$ 57,102,499	\$ *
Total OPEB Liability as a Percentage of Covered Payroll	469%	540%	*

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

See Notes to Required Supplementary Information

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

ITHACA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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 due to a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Community Foundation of Ithaca HS Drama Club	\$ 600
Class of 1951 for Code Red Robotics	15,000
Paterniti Family Funds for Fall Creek	330
Park Foundation	100
Box Tops in Ed for Enfield	111
Cornell Lab	400
Kids Discovery Trail	59,713
NYS for Anti Marginalization Work	100,000
Legislative Grant for Afterschool Activities	25,000
Belle Sherman 5th Grade Class	1,400
Tops for NE	46
Tops in Ed for Enfield	34
Marth and Dae Stipanuk for BS	3,000
Ithaca Public Education Initiative (IPEI) - Enfield Elementary	326
Ingersoll Rand Rebate	75,629
HIS Alumni Association	2,338
Boynton Student Activities	4,091
TRIAD Foundation	3,500
Ithaca Public Education Initiative (IPEI) - Supplies	2,670
Ithaca Public Education Initiative (IPEI) - Boynton	450
Ithaca Public Education Initiative (IPEI) - Grant Funds	3,830
Ithaca Public Education Initiative (IPEI) - Beverly J. Martin	500
Ithaca Public Education Initiative (IPEI) - Enfield Elementary	1,500
PRI for Caroline School	1,000
Ithaca Public Education Initiative (IPEI) - KDT	40,244
Ithaca Public Education Initiative (IPEI)	4,250
Ithaca Public Education Initiative (IPEI) - Computational Thinking	6,200
SUNY Cortland	8,250
Total Additions	\$ 360,512

ITHACA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

***Note 1* Procedures and Budgetary Accounting - Continued**

The following schedule reconciles the adopted budget to the final budget:

Adopted Budget	\$ 128,466,376
Prior Year Encumbrances	<u>3,181,500</u>
Original Budget	<u>131,647,876</u>
Budget Revisions:	
Supplemental Appropriations	360,512
Appropriated Reserve Funds	<u>74,421</u>
Total Additions	<u>434,933</u>
Final Budget	<u><u>\$ 132,082,809</u></u>

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 Revenue Funds (Special Aid and School Lunch). Budgetary controls are established in accordance with applicable grant agreements and management estimates. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

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

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2019.

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

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

2018 - 3.60%
2019 - 3.87%

***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.

ITHACA 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.

ITHACA 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. 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 on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition 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.

ITHACA 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 - 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	Five-year phased in deferred recognition of 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.
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Inflation	2.5%
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Projected Salary Increases	Rates of increase differ based on age and gender. 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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Projected Cost of Living Adjustments	1.5% compounded annually.
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ITHACA 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>\$128,466,376</u>
Prior Year's Encumbrances	<u>3,181,500</u>
Original Budget	<u>131,647,876</u>
Appropriated Reserve Funds to Support Expenditures	<u>74,421</u>
Budget Revisions (See Note 1, Page 55)	<u>360,512</u>
Total Additions	<u>434,933</u>
Final Budget	<u><u>\$132,082,809</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 Voter-Approved Budget	<u><u>\$ 131,954,987</u></u>
Maximum Allowed (4% of \$131,954,987 2019-2020 Budget)	<u><u>\$ 5,278,199</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 8,168,119
Unassigned Fund Balance	<u>3,022,923</u>
Total Unrestricted Fund Balance	<u>11,191,042</u>

Less:	
Appropriated Fund Balance	\$ 3,970,000
Encumbrances Included in Assigned Fund Balance	<u>4,198,119</u>
Total Adjustments	<u>8,168,119</u>

General Fund Fund Balance Subject to §1318 of Real Property Law	<u><u>\$ 3,022,923</u></u>
------------------------------------------------------------------------	-----------------------------------

Actual Percentage	2.29%
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ITHACA CITY SCHOOL DISTRICT

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

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			
			Prior Years	Current Year	Transfers	Total
Capital Improvement and Equipment - "P" and Site Acquisition - "SA"	\$ 1,363,883	\$ 5,986,828	\$ 5,890,016	\$ 212,641	\$	\$ 6,102,657
Renovation Project - "O"	6,500,000	6,500,362	6,477,529			6,477,529
Capital Reserve Renovations - "CR"	880,201	9,677,561	11,564,956	1,121,384	109,087	12,795,427
Additions/Alterations	120,000,000	120,000,000		1,222,164		1,222,164
SMART Bond Project	2,561,479	2,561,479	77,257	1,583,900		1,661,157
Subtotal	131,305,563	144,726,230	24,009,758	4,140,089	109,087	28,258,934
Unredeemed BANs						
Total	<u>\$131,305,563</u>	<u>\$144,726,230</u>	<u>\$ 24,009,758</u>	<u>\$4,140,089</u>	<u>\$ 109,087</u>	<u>\$ 28,258,934</u>

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

Unexpended Balance	Methods of Financing				Fund Balance (Deficit) June 30, 2019
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ (115,829)	\$	\$	\$ 6,297,401	\$ 6,297,401	\$ 194,744 *
22,833	6,500,000		362	6,500,362	22,833 *
(3,117,866)			13,576,322	13,576,322	780,895 *
118,777,836					(1,222,164) *
900,322		1,661,157		1,661,157	-
116,467,296	6,500,000	1,661,157	19,874,085	28,035,242	(223,692)
				-	-
\$ 116,467,296	\$ 6,500,000	\$1,661,157	\$ 19,874,085	\$ 28,035,242	\$ (223,692)

ITHACA CITY SCHOOL DISTRICT

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

Capital Assets, Net	<u>\$ 138,351,104</u>
Add:	
Unamortized Deferred Amount on Refunding	<u>2,090,085</u>
Unspent Bond Proceeds	<u>22,471</u>
Deduct:	
Premium on Bonds Payable	<u>(3,299,544)</u>
Short-term Portion of Bonds Payable	<u>(5,920,000)</u>
Long-term Portion of Bonds Payable	<u>(45,275,000)</u>
Short-term Portion of Installment Purchase Debt	<u>(613,989)</u>
Long-term Portion of Installment Purchase Debt	<u>(8,010,811)</u>
Net Investment in Capital Assets	<u><u>\$ 77,344,316</u></u>

ITHACA CITY SCHOOL DISTRICT

TEN YEAR COMPARATIVE SCHEDULE OF ACTUAL REVENUES AND EXPENDITURES - GENERAL FUND

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
REVENUES				
Tax (Including STAR)	\$ 89,218,366	\$ 87,133,496	\$ 84,756,265	\$ 83,178,972
Tuition	621,496	487,858	559,185	471,617
Other Revenues from Local Sources	1,062,791	573,768	503,784	575,027
Revenues from State Sources	32,109,344	31,370,164	30,542,240	28,635,438
Revenues from Federal Sources	347,195	234,994	170,181	160,116
Transfers from Other Funds	673,717	155,612	252,275	72,096
Miscellaneous	<u>2,517,195</u>	<u>2,623,457</u>	<u>2,042,210</u>	<u>2,767,452</u>
Total Revenues Realized	<u>126,550,104</u>	<u>122,579,349</u>	<u>118,826,140</u>	<u>115,860,718</u>
EXPENDITURES				
Board of Education	140,916	126,446	125,950	129,033
Administration	2,564,816	2,521,701	2,641,364	2,086,423
Instruction-Regular Day School	60,188,581	58,193,817	54,838,323	51,782,368
Community Services	4,361	4,588	5,004	6,653
Transportation	5,214,110	5,140,363	5,072,310	5,079,567
Operation and Maintenance of Plant	6,412,541	6,352,898	5,973,059	5,904,848
Data Processing Unit	4,079,172	3,947,279	4,133,921	4,669,899
Employee Benefits	34,056,696	31,189,749	29,153,720	28,378,711
Insurance	447,149	497,142	444,963	439,208
Special Items and Unclassified	1,795,340	1,683,784	1,670,799	1,574,293
Debt Service	8,771,956	9,415,410	8,724,329	8,195,941
Interfund Transfers	<u>1,776,893</u>	<u>2,894,384</u>	<u>2,762,544</u>	<u>2,340,957</u>
Total Expenditures	<u>125,452,531</u>	<u>121,967,561</u>	<u>115,546,286</u>	<u>110,587,901</u>
Excess (Deficiency) of Revenues	<u>\$ 1,097,573</u>	<u>\$ 611,788</u>	<u>\$ 3,279,854</u>	<u>\$ 5,272,817</u>

<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 81,357,417	\$ 74,341,263	\$ 72,444,202	\$ 71,078,369	\$ 69,391,547	\$ 66,650,906
482,834	612,678	596,368	544,851	701,262	836,004
385,203	706,211	745,604	641,288	630,779	735,523
26,629,928	25,755,413	24,675,483	24,047,162	22,464,967	21,970,463
101,587	195,501	83,002	71,267	1,675,950	4,660,519
552,365		1,780,544	1,531,850	1,300,000	
2,021,026	2,199,973	2,252,586	2,199,342	2,378,410	2,261,778
<u>111,530,360</u>	<u>103,811,039</u>	<u>102,577,789</u>	<u>100,114,129</u>	<u>98,542,915</u>	<u>97,115,193</u>
100,576	113,962	129,672	110,105	81,676	47,533
2,148,133	1,988,294	2,171,808	2,122,310	1,906,603	1,946,301
51,323,026	52,718,087	51,820,716	49,237,541	49,176,381	50,417,253
7,094	7,410	4,636	9,044		
4,839,329	4,879,744	4,623,536	4,336,760	4,052,598	4,228,143
5,822,458	5,729,567	5,825,371	5,605,438	5,788,742	6,181,331
4,303,654	3,238,226	3,028,370	2,620,497	2,066,193	2,376,853
29,937,319	29,139,081	25,778,590	23,099,392	21,940,455	20,304,442
443,270	443,030	452,765	454,345	499,458	435,287
1,649,754	1,587,070	1,596,441	1,445,346	1,347,508	1,320,253
8,130,128	8,855,962	8,999,117	8,629,875	7,769,184	5,003,083
1,802,758	2,366,464	3,370,177	4,135,947	2,237,570	2,454,591
<u>110,507,499</u>	<u>111,066,897</u>	<u>107,801,199</u>	<u>101,806,600</u>	<u>96,866,368</u>	<u>94,715,070</u>
<u>\$ 1,022,861</u>	<u>\$ (7,255,858)</u>	<u>\$ (5,223,410)</u>	<u>\$ (1,692,471)</u>	<u>\$ 1,676,547</u>	<u>\$ 2,400,123</u>



**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
Ithaca City School District
Ithaca, 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 Ithaca 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 4, 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

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 4, 2019



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

Board of Education
Ithaca City School District
Ithaca, New York

Report on Compliance for Each Major Federal Program

We have audited Ithaca 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 auditors' 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.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 4, 2019

ITHACA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021183375	\$	\$ 42,935
Title I Grants to Local Educational Agencies	84.010	0021193375		922,803
		Subtotal		965,738
Student Support and Academic Enrichment	84.424	0204193375		69,058
		Subtotal		69,058
Special Education Cluster:				
Special Education - Grants to States	84.027	0032190983		1,228,387
Special Education - Preschool Grants	84.173	0033190983		71,997
Total Special Education Cluster				1,300,384
Improving Teacher Quality State Grants	84.367	0147183375		29,454
Improving Teacher Quality State Grants	84.367	0147193375		196,235
		Subtotal		225,689
English Language Acquisition Grants	84.365	0293190123		29,031
		Subtotal		29,031
Immigrant Education	84.365A	0149183375		4,603
Immigrant Education	84.365A	0149193375		3,744
		Subtotal		8,347
21st Century Community Learning Centers	84.287C	0187187085		1,050
21st Century Community Learning Centers	84.287C	0187197085		209,397
		Subtotal		210,447
Total U.S. Department of Education				2,808,694
U.S. Department of Health and Human Services				
Headstart	93.600	N/A		241,999
Total U.S. Department of Health and Human Services				241,999
U.S. Department of Housing and Urban Development				
Passed Through Ithaca Urban Renewal Agency:				
Home Investment Partnership Program	14.239	(1)		22,408
Total U.S. Department of Housing and Urban Development				22,408
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	(1)		1,093,705
School Breakfast Program	10.553	(1)		318,170
Summer Food Service Program for Children	10.559	(1)		118,264
Total Child Nutrition Cluster				1,530,139
Total U.S. Department of Agriculture				1,530,139
Total Expenditures of Federal Awards			\$ -	\$4,603,240

(1) - Unknown

See Notes to Schedule of Expenditures of Federal Awards

ITHACA 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in 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 \$164,283 worth 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.

ITHACA 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 X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

___ yes X 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 2 CFR 200.516(a)?

___ yes X no

Identification of major programs

CFDA Numbers

84.010

84.367

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B
Programs:

\$ 750,000

Auditee qualified as low-risk?

X yes ___ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

FORM OF BOND COUNSEL'S OPINION

April 7, 2020

City School District of the City of Ithaca
Counties of Tompkins and Tioga
State of New York

Re: City School District of the City of Ithaca, Tompkins and Tioga Counties, New York
\$5,280,000* School District Refunding (Serial) Bonds, 2020

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$5,280,000* School District Refunding (Serial) Bonds, 2020 (the "Obligations"), of the City School District of the City of Ithaca, Tompkins and Tioga Counties, State of New York (the "Obligor"), dated April 7, 2020, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ and ____ hundredths per centum (____ %) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, and at the rate of ____ per centum (____ %) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, payable on July 1, 2020, and semi-annually thereafter on January 1 and July 1 and maturing in the amount of \$ _____ on July 1, 2020, \$ _____ on July 1, 2021, \$ _____ on July 1, 2022, \$ _____ on July 1, 2023, \$ _____ on July 1, 2024, \$ _____ on July 1, 2025, \$ _____ on July 1, 2026, \$ _____ on July 1, 2027, \$ _____ on July 1, 2028 and \$ _____ on July 1, 2029.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

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

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

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP