PRELIMINARY OFFICIAL STATEMENT DATED MARCH 21, 2019

NEW ISSUE **SERIAL BONDS**

BOND RATING: S&P Global Ratings: "A+" (Stable outlook) **See "BOND RATING" herein**

In the opinion of Barclay Damon, LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the "Code"), except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to federal income taxation from the date of issuance thereof, and (2) 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). See the caption "TAX MATTERS" herein..

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

$1,300,000

HORSEHEADS CENTRAL SCHOOL DISTRICT

CHEMUNG COUNTY, NEW YORK

$1,300,000 School District (Serial) Bonds, 2019

(referred to herein as the "Bonds")

Dated: April 10, 2019 **Due: March 15, 2020-2024**

MATURITIES*

Year	Amount	Rate	Yield	CUSIP	Year	Amount	Rate	Yield	CUSIP
2020	$ 220,000				2023	$ 275,000			
2021	255,000				2024	285,000			
2022	265,000								

* The School District may, after selecting the low bidder, adjust the principal payments to the extent necessary in order to meet the requirements of the Local Finance Law relating to substantially level or declining debt service. Such adjustments will be made within 24 hours following the opening of the bids. The successful bidder may neither withdraw nor modify its bid as a result of any such post-bid adjustment. Any such adjustment shall be conclusive, shall be promptly communicated to the successful bidder, and shall be binding upon the successful bidder. The Bonds of each maturity, as adjusted, will bear interest at the same interest rate as specified for that maturity in the Proposal for Bonds submitted by the successful bidder for the Bonds, and must have the same initial reoffering yields as thereafter specified by such bidder. Notwithstanding any post-bid adjustment, and provided the School District will receive at the time of delivery of such Bonds an amount theretofore received is at least equal to the par amount of the Bonds at least equal to the par amount of the Bonds, the School District will hold constant, on a per Bond basis, the successful bidder's underwriting spread with respect to such Bonds. However, the award shall be made to the bidder whose bid produces the lowest true interest cost rate solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

The Bonds are not subject to redemption prior to maturity.

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

The Bonds will be issued as registered bonds and, at the option of the purchaser, may be issued in registered certificated form or registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds if issued in book-entry-form. Interest on the Bonds will be payable on September 15, 2019 and semi-annually thereafter on March 15 and September 15 in each year until maturity. If the Bonds are issued in book-entry-form, principal and interest will be paid by the School 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. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, principal and interest will be payable at the offices of the School District or, at the option of the purchaser, at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Proposals for the Bonds shall be for not less than $1,300,000 and accrued interest, if any, on the total principal amount of the Bonds. No good faith deposit is required.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Barclay Damon LLP, Bond Counsel, Albany, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about April 10, 2019.

ELECTRONIC BIDS for the Bonds must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on March 27, 2019 by no later than 10:30 A.M., Eastern Time, pursuant to the Notice of Bond Sale. No other form of electronic bidding services will be accepted. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the School District, each bid will constitute an irrevocable offer to purchase the Bonds pursuant to the terms provided in the Notice of Bond Sale.

March 21, 2019

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE "APPENDIX-C, CONTINUING DISCLOSURE UNDERTAKING" HEREIN.

HORSEHEADS CENTRAL SCHOOL DISTRICT
CHEMUNG COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

PAMELA STROLLO
President

KRISTINE DALE
Vice President

DANIEL CHRISTMAS
WARREN CONKLIN
MARY ANNE HOLLERAN
C. DOUGLAS JOHNSON
BRIAN LYNCH
TYLER PRIBULICK
DAVID SADLER

* * * * * *

DR. THOMAS J. DOUGLAS
Superintendent of Schools

KATY BUZZETTI
School Business Administrator

LINDA KLIEVONEIT
Treasurer

NANCY PARILLO
District Clerk

SAYLES & EVANS
School District Attorneys

FISCAL ADVISORS & MARKETING, INC.
School District Municipal Advisor

BARCLAY DAMON LLP
Bond Counsel

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

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PREPARED WITH THE ASSISTANCE OF

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OFFICIAL STATEMENT

of the

HORSEHEADS CENTRAL SCHOOL DISTRICT

CHEMUNG COUNTY, NEW YORK

Relating To

$1,300,000 School District (Serial) Bonds, 2019

This Official Statement, which includes the cover page, has been prepared by the Horseheads Central School District, Chemung County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the School District of $1,300,000 aggregate principal amount of School District (Serial) Bonds, 2019 (herein referred to as the "Bonds").

The factors affecting the School 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 School District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

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

THE BONDS

Description of the Bonds

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

The Bonds will be dated April 10, 2019 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are not subject to redemption prior to maturity. The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date. Interest on the Bonds will be payable on September 15, 2019 and semi-annually thereafter on March 15 and September 15 in each year until maturity. Interest on the Bonds will be calculated on a 30-day month and 360-day year basis.

No Optional Redemption

The Bonds are not subject to redemption prior to maturity.

Purpose of Issue

The Bonds are issued pursuant to the Constitution and Statutes of the State of New York, including the Education Law and the Local Finance Law, pursuant to a bond resolution adopted by the Board of Education on June 21, 2018 for the purchase of buses at a total maximum cost not to exceed $1,300,000, with such cost to be financed by the issuance of up to $1,300,000 in serial bonds of the District.

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

Nature of the Obligation

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

Holders of any series of notes or bonds of the School 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 School District and will contain a pledge of the faith and credit of the School 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 School District has power and statutory authorization to levy ad valorem taxes on all real property within the School District subject to such taxation by the School District, without limitation as to rate or amount.

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

Under the Constitution of the State, the School 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 School District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

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

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds if requested by the successful bidder. 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 in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds 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.

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

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

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

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

Source: The Depository Trust Company.

THE SCHOOL DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM 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 SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (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 ONLY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE SCHOOL DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued or the successful bidder elects to have the Bonds issued in registered certificated form, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the District upon termination of the book-entry-only system or by the successful bidder if the Bonds are issued in registered certificated form is chosen. Interest on the Bonds will be payable on September 15, 2019 and semi-annually thereafter on March 15 and September 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

THE SCHOOL DISTRICT

General Information

The School District is located primarily in Chemung County, ten miles north of the Pennsylvania border. The School District is north of the City of Elmira and east of the City of Corning, and covers an area of approximately 143 square miles. The School District was centralized on March 22, 1950 from 36 former union free and common school districts. The tax base of the School District has increased in recent years due to new housing developments and new retail establishments.

The School District is a mixture of residential, agricultural and industrial areas including the incorporated Villages of Horseheads and Millport. Residents also commute to nearby Elmira and Corning for employment.

Public utilities serving the School District include Verizon (formerly Bell Atlantic). Water and sewer services are provided by the Villages of Horseheads and Big Flats and Chemung County. Police protection includes the Chemung and Schuyler County Sheriff's Departments and the New York State Police, as well as the Horseheads Village Police.

Transportation to the School District is provided by New York State Route 17, the "Southern Tier Expressway" I-86 and New York State Routes 14 and 13. Air transportation is available at the Elmira-Corning Regional Airport.

Higher educational opportunities are available at nearby Elmira College and Corning Community College. Ithaca College, Cornell University, Keuka College, Hobart and William Smith Colleges, the State University College at Cortland, Alfred University, and Alfred State College are all within commuting distance and provide higher educational opportunities to School District residents.

Recreational opportunities available to School District residents include the numerous State parks and wildlife areas in the Finger Lakes Region and the nearby Chemung County Harris Hill Park, including the National Soaring Museum.

Banking institutions serving the District include Chemung Canal Trust Company, Elmira Savings Bank, JPMorgan Chase Bank, N.A., and First Heritage Federal Credit Union.

Source: District officials

School District Population

The 2017 estimated population of the District is 25,965. (Source: 2017 U.S. Census Bureau estimate)

Recent Economic Developments

The School District boundaries fall within the region's I-86 Corridor Project which is aimed at creating a cohesive economic development blueprint that results in the I-86 Corridor between 1-99 in Steuben County and I-86 at the Elmira Exchange becoming the nexus of growth for business expansion and new business development in the Southern Tier. The strategic action plan for the 1-86 Corridor Project is designed to accelerate public/private investments, create job opportunities, advance regional competitiveness, and create the environment to draw and keep young, skilled workforce participants

The Elmira-Corning Regional Airport has undergone renovations totaling $61 million dollars. The upgrades include a 25 percent increase in airport passenger space, two new jet bridges, 300 more parking spaces, a 3,000-square foot bar and restaurant which includes state-of-the-art passenger amenities. The terminal project received $40 million in State funding. The remaining $18 million came in the form of Federal Aviation Administration grant funding and Passenger Facility Charges. The project was completed in October 2018.

Community Progress, Inc., a local not-for-profit rural preservation company, has recently completed its Hanover Square Improvement Project in the Village of Horseheads. The work included the addition of four new, market-rate apartments in the former Brown's Pharmacy building at the corner of South Main and Franklin streets. Community Progress Inc. also worked with the Village of Horseheads to secure a $500,000 State grant awarded in January 2019 which will enable the Village of Horseheads to continue its Hanover Square revitalization program. A steering committee will be set up to review applications and decide a priority list for Hanover Square projects.

Sandlot Sports Academy is proposing to construct a new 65,000 square foot multi-purpose sports facility in Big Flats. The facility will include a main fieldhouse, indoor baseball and softball facilities, indoor turf field, outdoor fields for baseball and softball, soccer/lacrosse, pro shop, physical education programs for disabled youth and adults and a public walking trail. This $2.3 million project will include 15 full-time employees and will draw sports teams and visitors from throughout the Northeast. The facility will also include an assembly area for the "Backyard Batter Pro" an instructional sports training tool developed for proper swing and hitting mechanics.

Beecher Emission Solutions Technologies, parent company of Ward Diesel Filter Systems and Ward Clean Air Products, is a leading manufacturer of emission controls and filter products. Operating under the project name BEST Consolidated Growth will acquire the former Schweizer facility in Big Flats to consolidate its Elmira operations with recent business acquisitions from Pennsylvania and Nevada. The consolidation of these operations will result in the creation of 36 jobs and will allow this facility to be privately owned. This project was designated as a Southern Tier Priority project under the Upstate Revitalization Initiative (URI) and New York State Consolidated Funding Application (CFA) process.

Micatu, a next generation optical sensor manufacturing company has purchased the 70,000-square-foot former Wings of Eagles and Sikorsky facility on Aviation Drive in Big Flats to relocate its corporate headquarters and establish a high tech manufacturing facility for the design and production of a line of optical sensors for the utility industry for use within the smart grid. Micatu plans to create an additional 65 jobs. The company received $1 million in URI funding. This project was designated as a Southern Tier priority project under the URI/CFA process.

Arnot Mall Transformation Project is currently engaged in a $39.4 million project to transform a current economic anchor of the Arnot Mall into a centerpiece of the I-86 Innovation Corridor and regional destination of the southern gateway to Finger Lakes Wine Country by replacing traditional retail space with tourism, hospitality, entertainment businesses and venue. This will include a 93 room Holiday Inn Express, a family entertainment center, a tourism destination/experiential retailer.

DeMet's Candy Company is making a $6-8 million investment to include reconfiguration of existing manufacturing lines to accommodate the development of new product lines. This is anticipated to create 15-25 new jobs.

Honcho Recycle Company Limited will occupy 100,000 square feet at the HOST terminal in Horseheads. The company will produce reclaimed rubber sheets and rubber particles from scrap tire. This is anticipated to create 25 new jobs.

Project H will redevelop a light helicopter product line and provide customer support to current 2,000+ aircraft, revamp and produce new helicopters, and modernize current production models. Project expectations are $60 million projected net sales; anticipated creation of 145 new jobs with a payroll of $15 million through 2023.

Other recent job growth in the area includes:

- Pioneer Credit Recovery – created 300 new jobs
- FedEx Ground – created 130 jobs
- John G. Ullman & Associates – created 20 new positions
- CemeCon Inc. – created 12 additional jobs
- Wayfair – anticipated to create 450-600 jobs over the next three years
- Corning Incorporated – anticipated to create 170-185 new jobs

Source: School District officials.

Larger Employers

Larger employers located within or nearby the School District where residents find employment are as follows:

Name	Type	Approximate Number of Employees
Horseheads Central School District	School	700
DePuy Synthes	Manufacturing	400
Hardinge, Inc.	Manufacturing	370
Eaton	Manufacturing	260
General Revenue Corporation	Collection Agency	250
DeMet's Candy Company	Wholesaler	250
Elcor Health Services	Nursing Care Facility	250
Cameron Manufacturing & Design	Manufacturing	235
Wal-Mart	Retail	225
Salient Corporation	Computer Software	130

Source: School District officials.

Unemployment Rate Statistics

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

Annual Average

	2012	2013	2014	2015	2016	2017	2018
Chemung County	8.4%	7.9%	6.3%	5.9%	5.7%	5.6%	N/A
Schuyler County	9.4%	8.8%	7.0%	6.6%	6.0%	5.9%	N/A
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

2018-19 Monthly Figures

	2018 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**2019** Jan	Feb
Chemung County	6.1%	5.3%	4.7%	4.9%	4.7%	4.5%	4.2%	3.9%	3.6%	4.0%	4.5%	N/A
Schuyler County	7.9%	6.1%	4.6%	4.4%	4.1%	3.9%	3.5%	3.5%	4.1%	5.4%	6.2%	N/A
New York State	4.6%	4.0%	3.7%	4.1%	4.2%	4.0%	3.6%	3.6%	3.5%	3.9%	4.6%	N/A

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

Selected Wealth and Income Indicators

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

	Per Capita Income			Median Family Income		
	2000	2006-10	2013-17	2000	2006-10	2013-17
Towns of:						
Baldwin	$ 19,075	22,958	$ 27,254	$ 42,250	$ 71,375	$ 68,000
Big Flats	23,391	36,916	38,034	59,500	83,265	95,452
Catlin	17,869	26,299	30,423	42,308	57,105	71,522
Cayuta	18,419	18,861	20,129	35,313	45,417	40,556
Erin	16,747	21,189	27,864	44,032	51,832	62,404
Horseheads	19,795	25,646	30,592	46,827	59,321	76,239
Veteran	20,522	26,330	31,223	50,972	57,926	77,851
Counties of:						
Chemung	25,329	23,457	27,209	43,994	55,246	67,879
Schuyler	24,173	22,123	25,285	41,441	54,322	62,778
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.

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 so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the School District and no Board member may hold certain other School District offices or positions while serving on the Board of Education. The President and the Vice President are elected by the Board members.

Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the School District for the ensuing fiscal year (tentative budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

State Law precludes the School District from incurring any liability in excess of the amount approved by the voters at such school district meeting unless otherwise authorized to do so by law. Such legislation provides that existing provisions of the Education Law authorizing boards of education of certain school districts to levy and collect a tax, and to expend same, for ordinary and contingent expenses of such school districts and for teachers' salaries, if the voters fail to vote a sum for same, is applicable to such city school districts, including the School District.

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

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

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

Recent Budget Vote Results

The budget for the 2014-15 fiscal year was approved by the qualified voters on May 20, 2014. The budget called for a total tax levy increase of 1.72%, which was equal to the District’s Tax Cap.

The budget for the 2015-16 fiscal year was approved by the qualified voters on May 19, 2015 by a vote of 1,014 to 299. The budget called for a total tax levy increase of 0.59%, which was equal to the District’s Tax Cap.

The budget for the 2016-17 fiscal year was approved by the qualified voters on May 17, 2016 with a vote of 1,179 to 275. The budget called for a total tax levy decrease of 0.05% which was equal to the District’s Tax Cap.

The budget for the 2017-18 fiscal year was approved by the qualified voters on May 16, 2017 by a vote of 793 to 266. The budget called for a total tax levy increase of 2.19%, which was equal to the District’s Tax Cap.

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 719 to 241. The budget called for a total tax levy increase of 3.58%, which was equal to the District’s Tax Cap.

The State’s 2018-19 Enacted Budget includes a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget (“DOB”) in consultation with SED. In 2019-20, this requirement will expand to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district’s school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district’s State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to “cure” the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this newly enacted legislation, the School District will be required to annually report its budgeted support for individual schools beginning with the 2020-21 fiscal year.

Investment Policy

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

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

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2018-19 fiscal year, approximately 42.5% of the revenues of the School 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 School 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 School 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 School District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

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 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 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 School 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 School 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 School 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 School 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 School District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the School District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the School District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate. Based on 2019-20 preliminary building aid ratios, the School District expects to receive State building aid of approximately 80.4% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history

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

School district fiscal year (2012-2013): The State Legislature adopted the State budget on March 30, 2012. The budget included an increase of $751 million in State aid for school districts.

The 2012-2013 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. Each year in July, the School District has to certify to the State that they have abided by their approved APPR plan. The New York State Education Department approved the School District's initial Annual Professional Performance Review Plan (APPR) on December 21, 2012. The most recent APPR was approved on February 24, 2017.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of $1.0 billion in State aid for school districts.

School district fiscal year (2014-2015): The 2014-2015 State budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the school aid increase. The 2014-15 State budget restored $602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget invested $1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The School District's estimated allocation of funds thereunder is $2,929,862.

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

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consists of traditional operating aid. In addition to full-funding of expense-based aids ($408 million), the budget also includes a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The School District is not a part of the Community Schools Grant Initiative (CSGI)

<u>Gap Elimination Adjustment (GEA).</u> 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 School District. Since its inception, the total GEA and Deficit Reduction Assessment reduction in school aid for the School District amounted to approximately $24,6 million. The School 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. The State 2017-18 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State's 2018-19 Enacted Budget includes nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately $859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at $26.03 billion statewide, a 3.4% increase over the last year. The State's 2018-19 Enacted Budget includes an increase of $618 million in Foundation Aid for school districts. Foundation Aid now totals nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase will be distributed using a one year, off formula methodology. The State's 2018-19 Enacted Budget guarantees that all school districts receive an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase will be "set aside" for certain school districts to fund community schools. The State's 2018-19 Enacted Budget fully funds all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected.

School district fiscal year (2019-2020): On January 15, 2019, Governor Cuomo submitted the Executive Budget for the State fiscal year 2019-20. The 2019-20 Executive Budget recommends a total of $27.69 billion for school aid, a year-to-year funding increase of $956 million or 3.6%. The 2019-20 Executive Budget will provide additional funding for Foundation Aid, including increased set-aside funding for Community Schools. The 2019-20 Executive Budget also continues initiatives implemented in previous years including funding for the State's prekindergarten programs, the Empire State After School program and the $2 billion Smart Schools Bond Act. The 2019-20 Executive Budget also contains provisions on the State's first ever collection and reporting of school-level financial data by requiring school districts to dedicate a portion of their Foundation Aid increases to address inequities in their most underfunded, neediest schools.

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

State Aid Litigation

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

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

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

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

State Aid Revenues

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

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2013-14	$ 66,193,769	$ 28,243,500	42.67%
2014-15	67,969,480	29,023,128	42.70%
2015-16	71,464,065	30,780,499	43.07%
2016-17	71,620,321	31,433,606	43.89%
2017-18	74,007,935	32,580,452	44.03%
2018-19 (Budgeted)	77,016,203	32,769,476	42.55%

Source: 2013-14 through and including the 2017-18 Audited financial statement of the School District and the budget of the School District for the 2018-19 fiscal year. This table is not audited.

School Facilities

Name	Grades	Capacity	Year(s) Built/Additions
Ridge Road Elementary	Pre-K-4	568	1956, '60, '99
Center Street Elementary	Pre-K-4	538	1953, '60, '99
Big Flats Elementary	Pre-K-4	588	1956, '60,'65, '99
Gardner Road Elementary	Pre-K-4	530	1965
Intermediate School	5-6	538	1968, '01
Middle School	7-8	761	1968, '99, '01
High School North Wing	9-12	1,417	1953, '56,'63,'68,'87,'99, '01
High School South Wing	9-12		1967, '87

Source: School District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-15	4,159	2019-20	4,042
2015-16	4,138	2020-21	4,096
2016-17	4,174	2021-22	4,096
2017-18	4,157	2022-23	4,059
2018-19	4,097	2023-24	4,032

Source: School District officials.

Employees

The School District employs a total of approximately 621 full-time employees and 50 part-time employees with representation by various unions as follows:

Employees Represented	Union Representation	Contract Expiration Date
324	Horseheads Teacher's Association (HTA)	June 30, 2023
13	Horseheads Association of Administrators (ADM)	June 30, 2019
78	Horseheads Transportation (HHTCSEAU)	June 30, 2020
6	Bus Mechanics (BUSMECH)	June 30, 2022
81	Horseheads School Services Association (SSERVICE)	June 30, 2023
88	Horseheads Custodial/Maintenance-Food Service-School Monitors, CSEA (HHCMFSMU)	June 30, 2019
0	Senior Food Service Helpers Assoc. (SFSHA)	June 30, 2022
43	Support Staff Association (SUPPORT)	June 30, 2022
11	NYS Nurses' Association (NYSNA)	June 30, 2020
33	Horseheads School Secretaries, CSEA (HHSU)	June 30, 2022
12	Exempt	June 30, 2019

Source: School District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the School 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 System 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 (other than those in Tier V and VI, as described below) 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, at the time, 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 a New Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The School District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2018-19 fiscal year are as follows:

Fiscal Year	TRS	ERS
2013-14	$ 3,515,887	$ 1,176,886
2014-15	3,938,860	995,121
2015-16	2,949,785	710,939
2016-17	2,871,100	846,167
2017-18	2,441,717	847,838
2018-19 (Budgeted)	2,836,223	1,035,734

Source: School District officials.

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

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

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

A chart of average ERS and TRS rates as a percent of payroll (2014-15 to 2019-20) is shown below:

Fiscal Year	ERS	TRS
2014-15	20.1%	17.53%
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.62
2019-20	14.6	8.86*

* Estimated. The final rate will be adopted by the NYSTRS Board at its July 31, 2019 meeting.

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

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by 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 School 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 School 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 School District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the 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 School 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 School 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 School District implemented GASB 75. The implementation of this statement requires School 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 School District to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

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

Summary of Changes from the Last Valuation. The School District contracted with Capital Region BOCES to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

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

Balance at June 30, 2017:	$ 331,680,061
Changes for the year:	
Service cost	11,602,843
Interest	11,874,146
Differences between expected and actual experience	-
Changes of benefit terms	-
Changes in assumptions	(16,540,574)
Benefit payments	(13,024,806)
Net Changes	(6,088,391)
Balance at June 30, 2018:	$ 325,591,670

Source: 2018 Audited financial statements of the School District. The above tables are not audited. For additional information see "APPENDIX – D" attached hereto.

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

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

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

The School District had contracted with Capital Region BOCES to calculate its OPEB in accordance with GASB 45. Based on actuarial valuations, the following tables show the components of the School District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the School District's net OPEB obligation and funding status for the fiscal years ended June 30, 2016 and June 30, 2017:

Annual OPEB Cost and Net OPEB Obligation:	**2016**	**2017**
Annual required contribution (ARC)	$ 19,140,314	$ 20,109,976
Interest on net OPEB obligation	5,107,840	5,644,461
Adjustment to ARC	(3,826,241)	(4,228,219)
Annual OPEB cost (expense)	20,421,913	21,526,218
Expected Contribution	(9,689,500)	(9,774,314)
Increase in net OPEB obligation	10,732,413	11,751,904
Net OPEB obligation - beginning of year	102,156,797	112,889,210
Net OPEB obligation - end of year	$ 112,889,210	$ 124,641,114
Percentage of annual OPEB cost contributed	47.45%	45.41%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 279,659,419	$ 292,823,205
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 279,659,419	$ 292,823,205
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 21,526,218	45.41%	$ 124,641,114
2016	20,421,913	47.45	112,889,210
2015	19,676,277	52%	102,156,797

Source: 2016 and 2017 Audited financial statements of the School District. The above tables are not audited.

The aforementioned liability and ARC were recognized and disclosed in accordance with GASB 45 standards in the School District's past audited financial statements.

The School District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the School District's finances and could force the School 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 School District has reserved $0 towards its OPEB liability. The School District funds this liability on a pay-as-you-go basis.

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

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

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

Other Information

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

The School District is in compliance 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 School District is past due.

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

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

Financial Statements

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and has been filed with the Electronic Municipal Market Access ("EMMA") website. It is also attached hereto as "APPENDIX-D" to this Official Statement. Certain financial information of the School District can also be found attached as Appendices to the Official Statement.

The School District complies with the Uniform System of Accounts as prescribed by the State Comptroller for school districts in New York State. Except for the accounting for fixed assets, this system conforms to generally accepted accounting principles as prescribed by the American Institute of Certified Public Accounts' Industry Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the National Committee on Government Accounting.

Beginning with the fiscal year ending June 30, 2003 the School District issued its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The School District is in full compliance with GASB Statement No. 34.

New York State Comptroller Reports of Examination

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

The most recent State Comptroller audit report of the School District is dated August 19, 2016. The purpose of the audit was to examine the School District's financial condition for the period July 1, 2012 through March 10, 2016. Key findings and recommendations of the State Comptroller are outlined below:

<u>Key Findings</u>

- Because School District officials significantly overestimated appropriations, it appeared that the School District needed to both increase its tax levy and use fund balance to close projected budget gaps.
- By not using the appropriated fund balance from the prior year, the School District's unrestricted fund balance significantly exceeded the statutory limit for the last three completed fiscal years.
- School District officials did not use any of the available money in the debt service fund to reduce debt service expenditures of approximately $2.5 million per year.

<u>Key Recommendations</u>

- Adopt budgets that represent the School District's actual needs and discontinue the practice of adopting general fund budgets that result in the appropriation of fund balance and reserve funds that will not be used.
- Reduce the amount of unrestricted fund balance and use the excess funds in a manner that benefits School District residents.
- Use money in the debt service fund to make debt payments as appropriate.

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

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

The classification of the School District for the five most recent available fiscal years are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	3.3%
2017	No Designation	0.0%
2016	No Designation	13.3%
2015	No Designation	20.0%
2014	No Designation	20.0%

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

TAX INFORMATION

Valuations

Taxable Assessed Valuations

Years Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Baldwin	$ 3,170	$ 3,193	$ 3,194	$ 2,896	$ 2,894
Big Flats	678,790,753	677,783,308	683,801,346	689,924,813	690,530,881
Catlin	92,932,637	96,627,523	97,379,191	104,311,464	104,603,874
Cayuta	4,817,845	5,454,409	5,402,544	5,403,198	5,418,781
Erin	56,175,325	55,897,115	55,158,797	55,119,901	54,840,051
Horseheads	884,273,132	876,208,923	889,774,814	911,234,509	937,088,129
Veteran	143,549,264	144,507,573	146,795,872	147,106,779	217,371,888
Totals	$ 1,860,542,126	$ 1,856,482,044	$ 1,878,315,758	$ 1,913,101,560	$ 2,009,856,498

New York State Equalization Rate

Towns of:					
Baldwin	1.60%	1.60%	1.65%	1.65%	1.63%
Big Flats	97.00%	100.00%	100.00%	100.00%	100.00%
Catlin	100.00%	100.00%	95.00%	100.00%	100.00%
Cayuta	100.00%	100.00%	100.00%	100.00%	100.00%
Erin	88.00%	80.00%	79.00%	74.50%	74.00%
Horseheads	93.00%	93.00%	95.00%	91.00%	95.00%
Veteran	92.00%	88.00%	85.00%	81.00%	100.00%
Taxable Full Valuation	$ 1,968,431,618	$ 1,956,309,480	$ 1,971,029,233	$ 2,056,771,345	$ 2,078,619,704

Tax Rate Per $1,000 (Assessed)

Years Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Baldwin	$1,114.72	$ 1,127.60	$ 1,077.55	$ 1,063.01	$ 1,103.01
Big Flats	18.39	18.04	17.78	17.54	17.98
Catlin	17.84	18.04	18.72	17.54	17.98
Cayuta	17.84	18.04	17.78	17.54	17.98
Erin	20.27	22.55	22.51	23.54	24.30
Horseheads	19.18	19.40	18.72	19.27	18.93
Veteran	19.39	20.50	20.92	21.65	17.98

Tax Collection Procedure

School District taxes are collected by the School Tax Collector and are payable during the month of September without penalty. Taxes paid in October are subject to a 2% penalty. In November, a list of all unpaid taxes is given to the County Treasurers for relevy on County/Town tax rolls. The School District is reimbursed by the Counties for all unpaid taxes the first week in April of each year and is thus assured of 100% collection of its annual levy.

Tax Levy and Collection Record

Years Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 35,114,955	$ 35,323,835	$ 35,307,604	$ 36,082,023	$ 37,374,963
Amount Uncollected [1]	1,344,744	1,208,193	1,334,842	1,279,244	$1,294,953
% Uncollected	4.5%	3.4%	3.8%	3.5%	3.5%

[1] The School District is reimbursed by the Counties for all unpaid taxes. See "Tax Collection Procedure" herein.

Real Property Tax Revenues

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

Fiscal Year	Total Revenues	Total Real Property Taxes and Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-14	$ 66,193,769	$ 35,654,397	53.86%
2014-15	67,969,480	36,282,872	53.38%
2015-16	71,464,065	36,372,925	50.90%
2016-17	71,620,321	36,480,912	50.94%
2017-18	74,007,935	37,421,025	50.56%
2018-19 (Budgeted)	77,016,203	38,388,203	49.84%

Source: 2013-14 through and including the 2017-18 Audited financial statement of the School District and the budget of the School District for the 2018-19 fiscal year. This table is not audited.

Ten Largest Taxpayers - 2018 Assessment Roll for 2018-19 District Tax Roll

Name	Type	Taxable Assessed Valuation
NYSEG	Utility	$ 62,626,278
G&I IX Empire Big Flats LLC	Shopping Center	52,207,600
Arnot Realty Corp.	Rental	45,721,700
Dominion Energy Transmission	Utility	38,000,000
Westco Corning LLC	Commercial	14,700,600
Greenridge Apartments LLC	Rental	12,434,400
Wal Mart Real Estate	Shopping Center	11,773,500
RE ONE LLC	Commercial	8,968,755
Horseheads NCP LLC	Commercial	8,054,900
TS Appleridge LLC	Commercial	8,800,000

The ten larger taxpayers listed above have a total assessed valuation of $263,287,733, which represents 13.1% of the tax base of the School District.

The School District experiences the impact of tax certiorari filings on a regular basis for which the School 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 School District's finances.

Source: School District officials.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School Districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program. Chapter 60 of the Laws of 2016 has "converted" STAR to a personal income tax credit instead of a property tax exemption for all new homeowners who purchased their home after August 1, 2015.

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 $86,000 for 2018, or less, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a "basic" exemption on their primary residence.

The below table lists the basic and enhanced exemption amounts for the 2018-19 tax rolls for the municipalities applicable to the School District:

Town of:	Enhanced Exemption	Basic Exemption
Baldwin	$ 1,100	$ 500
Big Flats	66,800	30,000
Catlin	66,800	30,000
Cayuta	66,800	30,000
Erin	49,770	22,350
Horseheads	60,790	27,300
Veteran	66,800	30,000

$5,010,627 of the School District's $36,074,979 school tax levy for 2017-18 was exempted by the STAR Program. The School District received full reimbursement of such exempt taxes from the State by January, 2018.

$4,780,004 of the School District's $37,371,540 school tax levy for 2018-19 was exempted by the STAR Program. The School District expects to receive full reimbursement of such exempt taxes from the State by January, 2019.

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. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. 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 State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers may also account for those changes in their State income taxes.

Additional Tax Information

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

Senior Citizens' exemptions are offered to those who qualify. Disability exemptions are also offered to those who qualify.

Total assessed valuation of the School District is estimated to be categorized as follows: Residential-72%; Commercial-17%; Agricultural-1%; and Other-10%.

The estimated total annual property tax bill of a $60,000 market value residential property located in the School District is approximately $1,912 including County, Town, Village, School District and Fire District taxes.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (HR. 1, P.L. 115-97), making major changes to the Internal Revenue Code of 1986, as amended (the "Code"), most of which are effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, including the deductibility of real property taxes, including real property taxes levied by the School District. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between Federal and local income tax, including increasing the opportunities for charitable contributions, and providing municipalities and school districts, including the School District, with the option to establish local charitable funds that would accept charitable contributions and provide taxpayers with a credit against their property taxes. On May 23, 2018, the U.S. Department of the Treasury and the Internal Revenue Service issued a notice today stating that proposed regulations will be issued addressing the deductibility of state and local tax payments for federal income tax purposes. The notice also informs taxpayers that federal law controls the characterization of the payments for federal income tax purposes regardless of the characterization of the payments under state law. The School District has no plans at this time to establish such a local charitable fund.

TAX LEVY LIMITATION LAW

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

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

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless extended. 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 and the Equal Protection and Due Process clauses and the First Amendment of the United States Constitution. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate

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

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

See "THE SCHOOL DISTRICT – Budgetary Procedures and Recent Budget Votes" herein for additional information regarding the School District's Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the School District 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 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 within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment maybe 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.

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

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

Statutory Procedure

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

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the School District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

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

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

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

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

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

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

The Board of Education, as the finance board of the 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.

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
Bonds	$ 14,935,000	$ 13,035,000	$ 11,590,000	$ 10,740,000	$ 9,620,000
Bond Anticipation Notes	0	0	0	0	15,000,000
Total Debt Outstanding	$ 14,935,000	$ 13,035,000	$ 11,590,000	$ 10,740,000	$ 24,620,000

Note: The bond amounts shown above do not include refunded bonds outstanding where applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the School District as of March 21, 2019.

	Maturity		Amount
Bonds	2019-2024		$ 8,640,000
Bond Anticipation Notes			
Capital Project	June 26, 2019		15,000,000
		Total Indebtedness	$ 23,640,000

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting as of March 21, 2019:

Full Valuation of Taxable Real Property			$ 2,078,619,704
Debt Limit 10% thereof			207,861,970
Inclusions:			
Bonds	$ 8,640,000		
Bond Anticipation Notes	15,000,000		
Principal of the Bonds	1,300,000		
Total Inclusions		$ 24,940,000	
Exclusions:			
Building Aid [1]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 24,940,000
Net Debt-Contracting Margin			$ 182,921,970
The percent of debt contracting power exhausted is			12.00%

[1] Based on preliminary 2019-20 building aid estimates, the School District anticipates State Building aid of 80.4% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, provided, however, no assurance can be given as to when and how much building aid the School District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

A schedule of Bonded Debt Service may be found attached hereto as APPENDIX - B.

Cash Flow Borrowing

The School District, historically, does not issue Tax or Revenue Anticipation Notes and does not have plans to issue any in the foreseeable future.

Capital Project Plans

On October 17, 2017, School District residents approved (1350 yes, 589 no) a $94.6 million capital improvement project to upgrade and renovate the School District's physical infrastructure. Major components of the project focus directly on education, such as upgrades to classrooms, security, and technology. Additionally, the project also includes the replacement of items that succumb to normal wear and tear, such as roofs, parking lots, and mechanical systems that are no longer warrantied or are at the end of their useful life. To fund the project, the School District will use State Building Aid, retired debt, and money from the Capital Reserve Fund to minimize the local impact. The School District anticipates a minimal increase in the annual tax levy of no more than 1.87%. The School District began construction in Spring/Summer 2018 with substantial completion expected Summer 2022. To date the School District has issued $15,00,000 bond anticipation notes for this project which represents the first phase in borrowing for this project. The School District plans to renew the outstanding notes and issue an additional $30,000,000 new money in June 2019.

On May 21, 2019, the School District plans to propose to voters a proposition for the purchase of buses in the amount of $1,400,000.

There are no other capital projects authorized and unissued by the School District at this time.

Estimated Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding indebtedness of such political subdivisions is as follows:

Municipality	Status of Debt as of	Gross Indebtedness [1]	Exclusions [2]	Net Indebtedness	District Share	Applicable Indebtedness
Counties of:						
Chemung	11/20/2018 [3]	$ 44,521,651	$ 1,640,431	$ 42,881,220	46.55%	$ 19,961,208
Schuyler	12/31/2016 [4]	3,042,586	357,586	2,685,000	0.36%	9,666
Towns of:						
Baldwin	12/31/2016 [4]	-	-	-	0.39%	-
Big Flats	12/31/2016 [4]	3,235,000	1,855,000	1,380,000	89.31%	1,232,478
Catlin	12/31/2016 [4]	603,764	357,000	246,764	63.52%	156,744
Cayuta	12/31/2016 [4]	-	-	-	16.80%	-
Erin	12/31/2016 [4]	66,468	-	66,468	59.86%	39,788
Horseheads	12/31/2016 [4]	54,000	54,000	-	81.68%	-
Veteran	12/31/2016 [4]	169,872	139,872	30,000	86.97%	26,091
Villages of:						
Horseheads	5/31/2017 [4]	4,106,000	3,516,000	590,000	100.00%	590,000
Millport	5/31/2017 [4]	-		-	100.00%	-
					Total:	$ 22,015,975

Notes:

(1) Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any.

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

Sources of information:

(3) Most recent available official statement of the municipality obtained from EMMA.

(4) Most recent available State Comptroller's Special Report for the respective fiscal year.

Debt Ratios

The following table sets forth certain ratios relating to the School District's indebtedness as of March 21, 2019:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 24,940,000	$ 960.52	1.20%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	46,955,975	1,808.43	2.26%

(a) The 2017 estimated population of the School District is 25,965. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The School District's full value of taxable real estate for 2018-19 is $2,078,619,704. (See "TAX INFORMATION" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is $22,015,975. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the School 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 School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds. 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 Bond when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the 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 School District may not be enforced by levy and execution against property owned by the School District.

Authority to File for Municipal Bankruptcy

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

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any suc7h indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

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

Default Litigation

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

No Past Due Debt

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

MARKET AND RISK FACTORS

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

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

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

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the 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.

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

TAX MATTERS

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the individual alternative minimum taxes imposed by the Code, except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to Federal income taxation from the date of issuance thereof, and (2) 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).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Bonds from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The School District will covenant in the Tax Certificates as to Arbitrage and Use of Proceeds and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the School District shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company's deduction for loss is reduced by 15% of the sum of certain items, including interest on the Bonds; (2) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Bonds, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit.

A Bondholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other consequences will depend upon the Bondholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Bonds should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Bonds will NOT be designated or deemed designated by the School District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Bonds is based upon the current provisions of the Code. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price for, or the marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinions of Barclay Damon, LLP, Albany, New York, Bond Counsel, each to the effect that the Bonds as the case may be, are valid and legally binding obligations of the School District, that all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon without limitation as to rate or amount, that interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (although interest on the Bonds is included in the adjusted current earnings of corporations for purposes of calculating corporate alternative minimum taxable income) and that interest on the Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof, including The City of New York. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant to comply with all such requirements. Failure to comply with all such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Such opinion also will state that: (a) the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity; (b) Bond Counsel expresses no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds; and (c) such opinion is given as of its dated date and that Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may thereafter come to their attention or any changes in law that may occur thereafter.

LITIGATION

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

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the School District, threatened against or affecting the School District to restrain or enjoin 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 School District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the School District.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the School District will enter into a Continuing Disclosure Undertaking, a description of which is attached hereto as "APPENDIX – C, FORM OF CONTINUING DISCLOSURE UNDERTAKING".

Historical Continuing Disclosure Compliance

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

BOND RATING

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

Moody's Investors Service ("Moody's") has assigned their underlying rating of "Aa3" to certain outstanding general general obligation bonds of the School District. This rating reflects only the view of Moody's and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007, 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 School 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 School 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 School District or the information set forth in this Official Statement or any other information available to the School 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 School District to Fiscal Advisors are partially contingent on the successful closing of the Bonds.

CUSIP IDENTIFICATION NUMBERS

The Municipal Advisor intends to provide the purchaser with CUSIP identification numbers in compliance with MSRB G-34. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the School District, provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

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 School District management's beliefs as well as assumptions made by, and information currently available to, the School District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the School District's files with the repositories. When used in School District documents or oral presentation, the words "anticipate", "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.

Barclay Damon LLP, Albany, New York, Bond Counsel to the School District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the School District for use in connection with the offer and sale of the 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 School District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the School District, as to which no representation can be made.

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

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

The School District's contact information is as follows: Ms. Katy Buzzetti, School Business Administrator, One Raider Lane, Horseheads, New York 14845, Phone: (607) 739-5601, Telefax: (607) 795-2415, email: kbuzzetti@horseheadsdistrict.com

The School District's bond counsel contact information is as follows: M. Cornelia Cahill, Esq., Barclay Damon LLP, 80 State Street, Albany, New York 12207, Phone: (518) 429-4296, Email: mcahill@barclaydamon.com.

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

HORSEHEADS CENTRAL SCHOOL DISTRICT

Dated: March 21, 2019

PAMELA STROLLO
PRESIDENT OF THE BOARD OF EDUCATION AND CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Cash and Cash Equivalents	$ 27,251,977	$ 25,230,847	$ 27,429,292	$ 26,761,403	$ 17,003,303
State and Federal Aid Receivable	2,733,388	-	-	-	-
Due From Other Governments	159,417	845,015	-	-	-
Receivables	52,679	3,008,984	2,926,561	3,103,277	3,196,879
Prepaid Items	23,149	24,020	2,311	416	-
Due From Other Funds	584,981	-	648,093	660,562	1,633,621
TOTAL ASSETS	$ 30,805,591	$ 29,108,866	$ 31,006,257	$ 30,525,658	$ 21,833,803
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 382,035	$ 316,024	$ 442,777	$ 216,929	$ 337,548
Accrued Liabilities	1,202,024	2,550,091	1,205,861	879,710	878,273
Due to Other Funds	-	81,544	-	1,670	1,707
Due to Other Governments	14,961	3,008	573	-	-
Due to Teachers' Retirement System	3,705,434	3,974,360	3,281,163	3,040,542	2,610,358
Due to Employees' Retirement System	371,747	303,954	211,991	228,154	221,785
Compensated Absences	655,883	638,885	166,283	243,179	119,644
Unearned Revenue	-	-	-	1,499	204
TOTAL LIABILITIES	6,332,084	7,867,866	5,308,648	4,611,683	4,169,519
FUND EQUITY					
Nonspendable	$ 23,149	$ 24,020	$ 2,311	$ 416	$ -
Restricted	5,577,119	6,117,747	17,501,837	20,354,481	12,375,281
Committed	10,694,922	7,463,647	2,683,377	-	-
Assigned	5,221,886	4,704,500	2,560,600	2,559,334	2,208,368
Unassigned	2,956,431	2,931,086	2,949,484	2,999,744	3,080,635
TOTAL FUND EQUITY	24,473,507	21,241,000	25,697,609	25,913,975	17,664,284
TOTAL LIABILITIES and FUND EQUITY	$ 30,805,591	$ 29,108,866	$ 31,006,257	$ 30,525,658	$ 21,833,803

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
REVENUES					
Real Property Taxes & Tax Items	$ 35,654,397	$ 36,282,872	$ 36,372,925	$ 36,480,912	$ 37,421,025
Charges for Services	370,666	403,859	503,103	735,260	565,555
Use of Money & Property	633,336	471,736	604,157	187,955	241,316
Sale of Property and Compensation for Loss	56,082	73,233	1,339,389	1,136,235	1,289,330
Miscellaneous	1,180,357	1,458,160	1,709,962	1,455,988	1,480,108
Revenues from State Sources	28,243,500	29,023,128	30,780,499	31,433,606	32,580,452
Revenue from Federal Sources	55,431	84,571	154,030	183,909	312,427
Total Revenues	$ 66,193,769	$ 67,797,559	$ 71,464,065	$ 71,613,865	$ 73,890,213
Other Sources:					
Interfund Transfers	-	171,921	-	6,456	117,722
Total Revenues and Other Sources	$ 66,193,769	$ 67,969,480	$ 71,464,065	$ 71,620,321	$ 74,007,935
EXPENDITURES					
General Support	$ 8,704,736	$ 8,812,748	$ 8,604,462	$ 9,092,897	$ 8,924,880
Instruction	30,596,977	32,267,561	32,756,106	35,516,635	36,316,799
Pupil Transportation	3,191,218	3,386,277	3,251,595	2,889,646	2,602,427
Community Services	-	-	-	-	-
Employee Benefits	19,265,985	19,942,280	18,761,127	20,298,139	20,639,598
Debt Service	3,001,422	2,540,156	2,358,738	2,265,593	2,494,344
Total Expenditures	$ 64,760,338	$ 66,949,022	$ 65,732,028	$ 70,062,910	$ 70,978,048
Other Uses:					
Interfund Transfers	2,186,219	4,252,967	1,275,428	1,299,268	11,279,578
Total Expenditures and Other Uses	$ 66,946,557	$ 71,201,989	$ 67,007,456	$ 71,362,178	$ 82,257,626
Excess (Deficit) Revenues Over Expenditures	(752,788)	(3,232,509)	4,456,609	258,143	(8,249,691)
FUND BALANCE					
Fund Balance - Beginning of Year	25,226,295	24,473,507	21,241,000	25,655,832	25,913,975
Prior Period Adjustments (net)	-	2	-	-	-
Fund Balance - End of Year	$ 24,473,507	$ 21,241,000	$ 25,697,609	$ 25,913,975	$ 17,664,284

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:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget
REVENUES				
Real Property Taxes and Tax Items	$ 37,293,969	$ 37,293,969	$ 37,421,025	$ 38,388,203
Charges for Services	409,900	409,900	565,555	-
Use of Money & Property	312,422	312,422	241,316	-
Sale of Property and Compensation for Loss	350,000	479,019	1,289,330	-
Miscellaneous	1,145,000	1,153,065	1,480,108	2,608,362
Revenues from State Sources	32,454,704	32,454,704	32,580,452	32,769,476
Revenues from Federal Sources	80,000	80,000	312,427	-
Total Revenues	$ 72,045,995	$ 72,183,079	$ 73,890,213	$ 73,766,041
Other Sources:				
Interfund Transfers	62,355	62,355	117,722	500,162
Total Revenues and Other Sources	$ 72,108,350	$ 72,245,434	$ 74,007,935	$ 74,266,203
EXPENDITURES				
General Support	$ 9,441,356	$ 9,445,705	$ 8,924,880	$ 9,638,537
Instruction	38,293,821	37,856,374	36,316,799	39,300,849
Pupil Transportation	2,598,923	2,916,395	2,602,427	2,638,565
Community Services	-	-	-	-
Employee Benefits	20,964,488	21,197,620	20,639,598	21,447,528
Debt Service	2,494,345	2,494,345	2,494,344	2,738,839
Total Expenditures	$ 73,792,933	$ 73,910,439	$ 70,978,048	$ 75,764,318
Other Uses:				
Interfund Transfers	1,260,000	11,279,578	11,279,578	1,251,885
Total Expenditures and Other Uses	$ 75,052,933	$ 85,190,017	$ 82,257,626	$ 77,016,203
Excess (Deficit) Revenues Over Expenditures	(2,944,583)	(12,944,583)	(8,249,691)	(2,750,000)
FUND BALANCE				
Fund Balance - Beginning of Year	2,944,583	12,944,583	25,913,975	2,750,000
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 17,664,284	$ -

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

BONDED INDEBTEDNESS

Fiscal Year Ending June 30th	Principal	Interest	Total	Principal of this Issue	Principal of All Issues
2019	$ 2,190,000	$ 231,189	$ 2,421,189	$ -	$ 2,190,000
2020	2,255,000	160,050	2,415,050	220,000	2,475,000
2021	1,445,000	104,800	1,549,800	255,000	1,700,000
2022	1,460,000	74,000	1,534,000	265,000	1,725,000
2023	1,255,000	40,050	1,295,050	275,000	1,530,000
2024	1,015,000	10,150	1,025,150	285,000	1,300,000
TOTALS	$ 9,620,000	$ 620,239	$ 10,240,239	$ 1,300,000	$ 10,920,000

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2011 Refunding of 1998, 1999 & 2014 Bonds			2016 Capital Project - Refunding of 2008 Bonds			2017 Purchase of Buses		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	$ 795,000	$ 64,800	$ 859,800	$ 980,000	$ 105,200	$ 1,085,200	$ 215,000	$ 17,800	$ 232,800
2020	835,000	25,050	860,050	990,000	85,500	1,075,500	220,000	13,500	233,500
2021	-	-	-	1,000,000	68,100	1,068,100	225,000	9,100	234,100
2022	-	-	-	1,000,000	50,600	1,050,600	230,000	4,600	234,600
2023	-	-	-	1,015,000	30,450	1,045,450	-	-	-
2024	-	-	-	1,015,000	10,150	1,025,150	-	-	-
TOTALS	$ 1,630,000	$ 89,850	$ 1,719,850	$ 6,000,000	$ 350,000	$ 6,350,000	$ 890,000	$ 45,000	$ 935,000

Fiscal Year Ending June 30th	2018 Purchase of Buses		
	Principal	Interest	Total
2019	$ 200,000	$ 43,389	$ 243,389
2020	210,000	36,000	246,000
2021	220,000	27,600	247,600
2022	230,000	18,800	248,800
2023	240,000	9,600	249,600
TOTALS	$ 1,100,000	$ 135,389	$ 1,235,389

FORM OF 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 School 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 27, 2019 of the School District relating to the Bonds under the headings "THE SCHOOL DISTRICT", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than "APPENDIX-C" and any related to bond insurance) by December 31 following the end of each succeeding fiscal year, commencing with the fiscal year ending June 30, 2019, 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, 2019; such audit, if any, will be so provided on or prior to the later of either December 31 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 School District of its audited financial statement for the preceding fiscal year, but, in any event, not later than June 30 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 December 31 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 School District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

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

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

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

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

(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 School District;

(m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect bondholders, if material; and

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

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

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

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

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

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

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

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

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

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

HORSEHEADS CENTRAL SCHOOL DISTRICT
CHEMUNG COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDING JUNE 30, 2018

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

Raymond F. Wager, CPA, P.C., the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Raymond F. Wager, CPA, P.C. also has not performed any procedures relating to this Official Statement.

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RAYMOND F. WAGER, CPA, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note II to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 47– 51 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 Horseheads Central School District, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018 on our consideration of the Horseheads Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Horseheads Central School District, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, P.C.

Rochester, New York
September 7, 2018

Horseheads Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total liabilities (what the district owes) exceeded its total assets (what the district owns) by ($106,878,249) (net position) a decrease of $2,662,880 from the prior year.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of $29,941,629, a decrease of $2,180,953 in comparison with the prior year.

General revenues which include Real Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for $73,595,712 or 93% of all revenues. Program specific revenues in the form of Charges for services, Operating Grants and Contributions, and Capital Grants and Contributions accounted for $5,420,101 or 7% of total revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

> The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
>
> The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The School District maintains six individual governmental funds; General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund, Miscellaneous Special Revenue Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the capital projects funds which are reported as major funds. Data for the special aid fund, the school lunch fund, the debt service fund, and the miscellaneous special revenue fund are aggregated into a single column reported as non-major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

Major Feature of the District-Wide and Fund Financial Statements			
	Government-Wide Statements	**Fund Financial Statements**	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District’s property tax base and the condition of the school buildings and facilities must also be considered to assess the District’s overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As A Whole

Net Position

The District's combined net position were smaller on June 30, 2018, than they were the year before, decreasing to ($106,878,249) as shown in table below.

	Governmental Activities		Total Percentage
	2018	2017	Change
ASSETS:			
Current and Other Assets	$ 52,558,236	$ 38,104,809	37.93%
Capital Assets	54,878,121	49,582,511	10.68%
Total Assets	**$ 107,436,357**	**$ 87,687,320**	**22.52%**
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources	**$ 25,523,694**	**$ 17,866,079**	**42.86%**
LIABILITIES:			
Long-Term Obligations	$ 212,599,301	$ 202,693,701	4.89%
Other Liabilities	21,367,830	5,786,885	269.25%
Total Liabilities	**$ 233,967,131**	**$ 208,480,586**	**12.22%**
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources	**$ 5,871,169**	**$ 1,288,181**	**355.77%**
NET POSITION:			
Net Investment in Capital Assets	$ 45,349,229	$ 38,649,524	17.33%
Restricted For,			
Debt Service	4,046,018	3,852,144	5.03%
Reserve for ERS	4,526,168	6,741,222	-32.86%
Capital Reserves	5,018,993	11,007,538	100.00%
Other Purposes	2,830,120	2,605,721	8.61%
Unrestricted	(168,648,777)	(167,071,517)	0.94%
Total Net Position	**$ (106,878,249)**	**$ (104,215,368)**	**2.56%**

The District's financial position is the product of many factors.

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

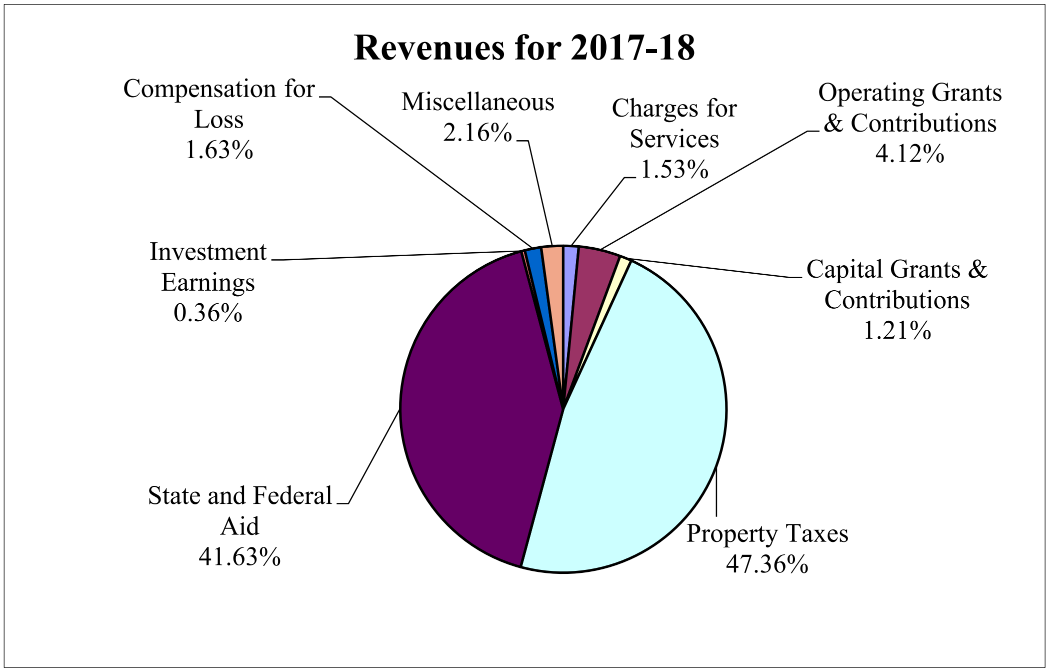
There are four restricted net asset balances, Capital Reserves, Debt Service, Reserve for ERS, and Other Purposes.

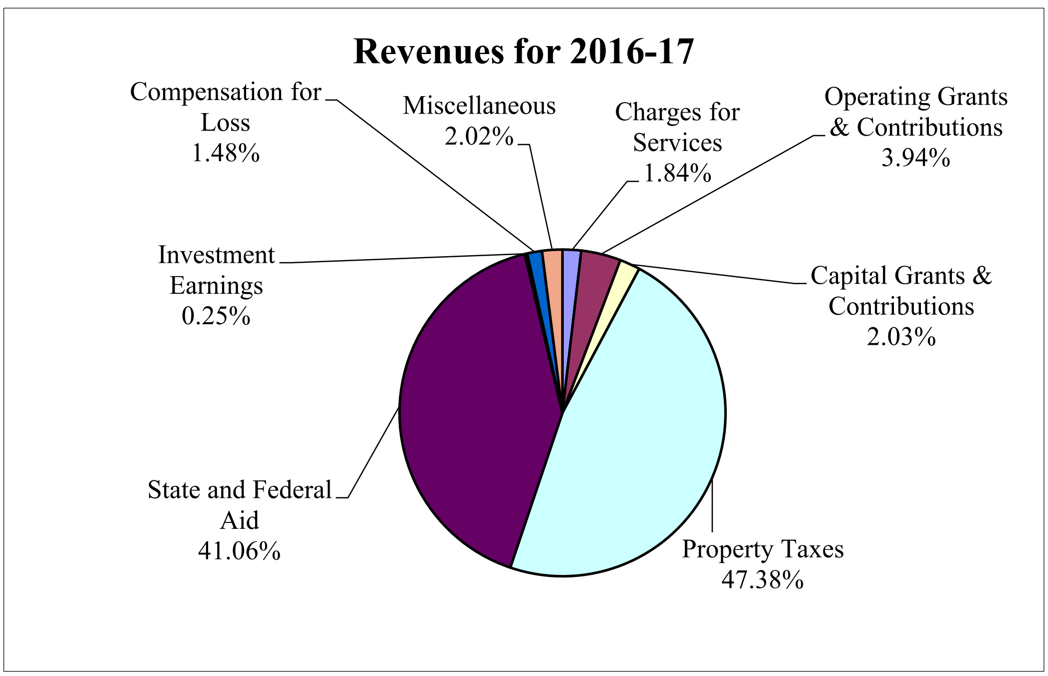
Changes in Net Asset

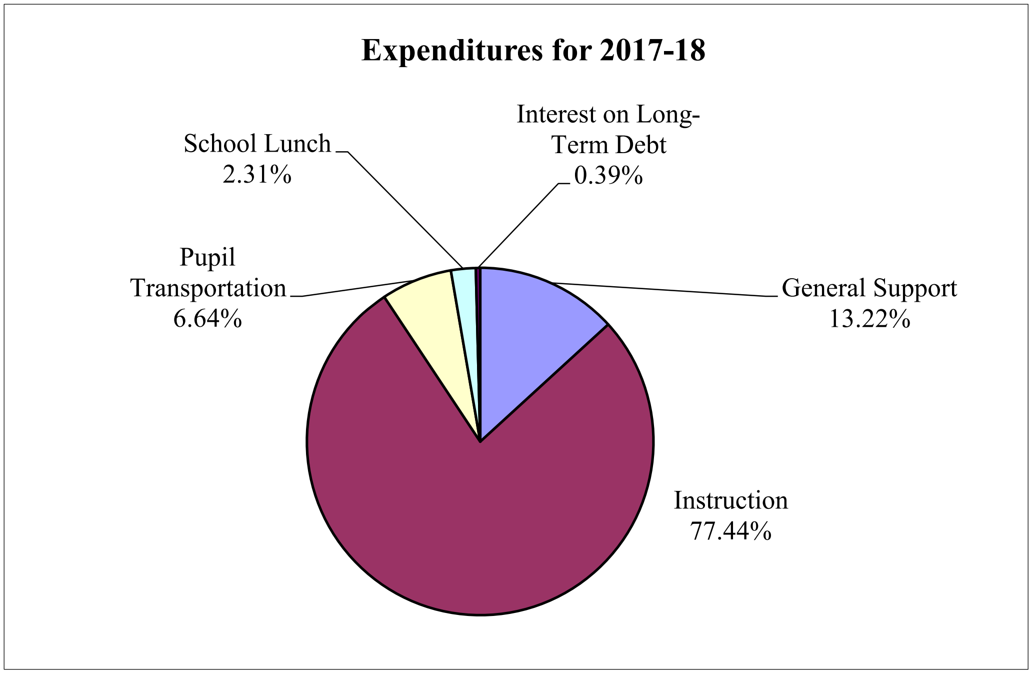
The District's total revenue increased 3% to $79,015,813. State and federal aid 42% and property taxes 47% accounted for most of the District's revenue. The remaining 11% of the revenue comes from operating grants, capital grants, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services decreased 3% to $81,678,693. The District's expenses are predominately related to education and caring for the students 77%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 13% of the total costs. See table below:

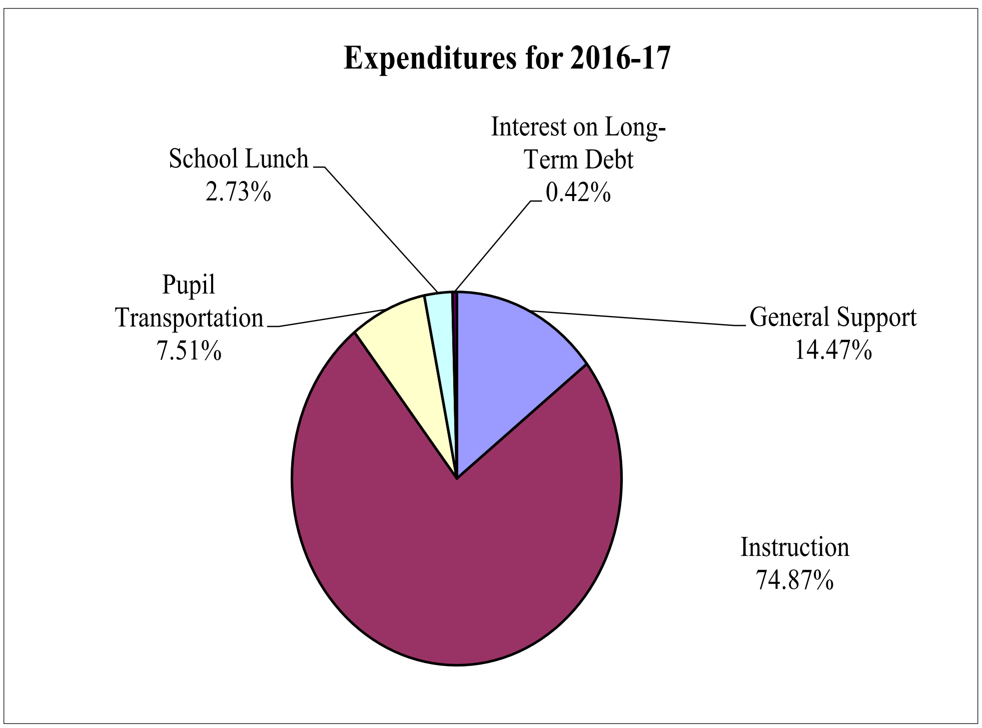
	Governmental Activities		Total Percentage
	2018	**2017**	**Change**
REVENUES:			
Program -			
Charges for Services	$ 1,209,655	$ 1,418,938	-14.75%
Operating Grants & Contributions	3,257,454	3,036,076	7.29%
Capital Grants & Contributions	952,992	1,563,542	-100.00%
Total Program	$ 5,420,101	$ 6,018,556	-9.94%
General -			
Property Taxes	$ 37,421,025	$ 36,480,912	2.58%
State and Federal Aid	32,892,879	31,617,515	4.03%
Investment Earnings	283,331	194,504	45.67%
Compensation for Loss	1,289,330	1,136,235	13.47%
Miscellaneous	1,709,147	1,550,957	10.20%
Total General	$ 73,595,712	$ 70,980,123	3.68%
TOTAL REVENUES	**$ 79,015,813**	**$ 76,998,679**	**2.62%**
EXPENSES:			
General Support	$ 10,796,057	$ 12,122,056	-10.94%
Instruction	63,248,871	62,724,704	0.84%
Pupil Transportation	5,423,488	6,293,501	-13.82%
School Lunch	1,889,879	2,285,278	-17.30%
Interest on Long-Term Debt	320,398	353,719	-9.42%
TOTAL EXPENSES	**$ 81,678,693**	**$ 83,779,258**	**-2.51%**
INCREASE IN NET POSITION	**$ (2,662,880)**	**$ (6,780,579)**	**-60.73%**


Revenues for 2017-18
Compensation for Loss 1.63%
Miscellaneous 2.16%
Charges for Services 1.53%
Operating Grants & Contributions 4.12%
Investment Earnings 0.36%
Capital Grants & Contributions 1.21%
State and Federal Aid 41.63%
Property Taxes 47.36%


Revenues for 2016-17
Compensation for Loss 1.48%
Miscellaneous 2.02%
Charges for Services 1.84%
Operating Grants & Contributions 3.94%
Investment Earnings 0.25%
Capital Grants & Contributions 2.03%
State and Federal Aid 41.06%
Property Taxes 47.38%



Expenditures for 2017-18
School Lunch
2.31%
Interest on Long-
Term Debt
0.39%
Pupil
Transportation
6.64%
General Support
13.22%
Instruction
77.44%



Expenditures for 2016-17
School Lunch
2.73%
Interest on Long-
Term Debt
0.42%
Pupil
Transportation
7.51%
General Support
14.47%
Instruction
74.87%

Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $29,941,629 which is less than last year's ending fund balance of $32,122,582.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was $17,664,284. Fund balance for the General Fund decreased by $8,249,691 compared with the prior year. See table below:

General Fund Balances:	2018	2017	Variance
Nonspendable	$ -	$ 416	$ (416)
Restricted	12,375,281	20,354,481	(7,979,200)
Assigned	2,208,368	2,559,334	(350,966)
Unassigned	3,080,635	2,999,744	80,891
Total General Fund Balances	**$ 17,664,284**	**$ 25,913,975**	**$ (8,249,691)**

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was $10,196,418. This change is attributable to $59,334 of carryover encumbrances from the 2016-17 school year, $129,019 for insurance recoveries, $8,065 for donations, and $10,000,000 for a capital project.

The key factors for budget variances in the general fund are listed below along with explanations for each.

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Programs for Children with Handicapping Conditions	($475,424)	Various positions paid with grant funds
Pupil Transportation	$317,472	Budget increased for emergency bus purchase and reclassification of expenses chargeable to transportation to maximize state aid.
Transfers-Out	$10,019,578	Transfer to capital fund per voter authorization to use $10 million from capital reserve.

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Sale of Property and Compensation for Loss	$810,311	Stop loss insurance payments received on health claims exceeding insurance threshold
Miscellaneous	$327,043	Higher than anticipated BOCES refund and refund of prior year medical claim

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	$427,113	Favorable final utility expenses; various contractual costs less than anticipated
Teaching-Regular School	$820,118	Various positions paid with grant funds
Programs for Children with Handicapping Conditions	$383,479	Various positions paid with grant funds
Employee Benefits	$558,022	Renegotiated workers' compensation rate, total amount of funds transferred to cover health claim overage not utilized, higher than budgeted health contributions received.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2017-18 fiscal year, the District had invested $54,878,121 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	2018	2017
Land	$ 375,730	$ 375,730
Work in Process	9,205,657	5,057,636
Buildings and Improvements	40,641,924	39,809,984
Machinery and Equipment	4,654,810	4,339,161
Total	**$ 54,878,121**	**$ 49,582,511**

Long-Term Debt

At year end, the District had $212,599,301 in general obligation bonds and other long-term debt as follows:

Type	2018	2017
Serial Bonds	$ 9,620,000	$ 10,740,000
Net Pension Liability	695,069	3,637,401
OPEB	198,940,690	184,852,299
Unamortized Bond Premiums	128,659	192,987
Compensated Absences	3,214,883	3,271,014
Total Long-Term Obligations	**$ 212,599,301**	**$ 202,693,701**

Factors Bearing on the District's Future

The District is currently in the midst of $94 million capital project approved by the voters in October 2017. To support this project, the District will have several sizable short term notes issued over the next several years to be converted to long term debt at a later date. The project will have a major impact on the District both from a facilities and educational perspective. To accomplish all that needs to be addressed in the building condition survey, future referendums will be needed. The district will work closely with its architect and financial advisor to plan any future phases in a way most advantageous to the District and the taxpayer.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Horseheads Central School District
One Raider Lane
Horseheads, New York 14845

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 44,543,134
Accounts receivable	6,752,382
Inventories	85,253
Net pension asset	1,177,467
Capital Assets:	
Land	375,730
Work in progress	9,205,657
Other capital assets (net of depreciation)	45,296,734
TOTAL ASSETS	**$ 107,436,357**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	**$ 25,523,694**
LIABILITIES	
Accounts payable	$ 2,542,651
Accrued liabilities	928,192
Unearned revenues	63,467
Due to other governments	1,377
Due to teachers' retirement system	2,610,358
Due to employees' retirement system	221,785
Bond anticipation notes payable	15,000,000
Long-Term Obligations:	
Due in one year	2,373,972
Due in more than one year	210,225,329
TOTAL LIABILITIES	**$ 233,967,131**
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	**$ 5,871,169**
NET POSITION	
Net investment in capital assets	$ 45,349,229
Restricted For:	
Debt service	4,046,018
Reserve for employee retirement system	4,526,168
Capital reserves	5,018,993
Other purposes	2,830,120
Unrestricted	(168,648,777)
TOTAL NET POSITION	**$ (106,878,249)**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities and Changes in Net Position

For Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government -					
General support	$ 10,796,057	$ -	$ -	$ -	$ (10,796,057)
Instruction	63,248,871	565,555	2,261,756	952,992	(59,468,568)
Pupil transportation	5,423,488	-	-	-	(5,423,488)
School lunch	1,889,879	644,100	995,698	-	(250,081)
Interest	320,398	-	-	-	(320,398)
Total Primary Government	**$ 81,678,693**	**$ 1,209,655**	**$ 3,257,454**	**$ 952,992**	**$ (76,258,592)**

General Revenues:	
Property taxes	$ 37,421,025
State and federal aid	32,892,879
Investment earnings	283,331
Compensation for loss	1,289,330
Miscellaneous	1,709,147
Total General Revenues	**$ 73,595,712**
Changes in Net Position	$ (2,662,880)
Net Position, Beginning of Year (restated)	(104,215,369)
Net Position, End of Year	**$ (106,878,249)**

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2018

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 17,003,303	$ 23,059,357	$ 4,480,474	$ 44,543,134
Receivables	3,196,879	2,690,464	865,039	6,752,382
Inventories	-	-	85,253	85,253
Due from other funds	1,633,621	-	30,739	1,664,360
TOTAL ASSETS	**$ 21,833,803**	**$ 25,749,821**	**$ 5,461,505**	**$ 53,045,129**
LIABILITIES AND FUND BALANCES				
Liabilities -				
Accounts payable	$ 337,548	$ 2,175,203	$ 29,900	$ 2,542,651
Accrued liabilities	878,273	-	1,381	879,654
Notes payable - bond anticipation notes	-	15,000,000	-	15,000,000
Due to other funds	1,707	815,151	847,502	1,664,360
Due to other governments	-	-	1,377	1,377
Due to TRS	2,610,358	-	-	2,610,358
Due to ERS	221,785	-	-	221,785
Other liabilities	204	-	-	204
Compensated absences	119,644	-	-	119,644
Unearned revenue	-	-	63,467	63,467
TOTAL LIABILITIES	**$ 4,169,519**	**$ 17,990,354**	**$ 943,627**	**$ 23,103,500**
Fund Balances -				
Nonspendable	$ -	$ -	$ 85,253	$ 85,253
Restricted	12,375,281	7,759,467	4,046,018	24,180,766
Assigned	2,208,368	-	386,607	2,594,975
Unassigned	3,080,635	-	-	3,080,635
TOTAL FUND BALANCE	**$ 17,664,284**	**$ 7,759,467**	**$ 4,517,878**	**$ 29,941,629**
TOTAL LIABILITIES AND FUND BALANCES	**$ 21,833,803**	**$ 25,749,821**	**$ 5,461,505**	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,878,121
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(48,334)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(9,620,000)
OPEB	(198,940,690)
Compensated absences	(3,095,239)
Unamortized bond premium	(128,659)
Net pension asset	1,177,467
Deferred outflow - gain/loss on refunding	219,767
Deferred outflow - pension	17,561,819
Deferred outflow - OPEB	7,742,108
Net pension liability	(695,069)
Deferred inflow - pension	(5,871,169)
Net Position of Governmental Activities	**$ (106,878,249)**

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes and tax items	$ 37,421,025	$ -	$ -	$ 37,421,025
Charges for services	565,555	-	-	565,555
Use of money and property	241,316	-	42,015	283,331
Sale of property and compensation for loss	1,289,330	-	-	1,289,330
Miscellaneous	1,480,108	-	52,657	1,532,765
State sources	32,580,452	952,992	677,844	34,211,288
Federal sources	312,427	-	2,561,819	2,874,246
Sales	-	-	644,100	644,100
Premium on obligations issued	-	-	194,173	194,173
TOTAL REVENUES	**$ 73,890,213**	**$ 952,992**	**$ 4,172,608**	**$ 79,015,813**
EXPENDITURES				
General support	$ 8,924,880	$ -	$ -	$ 8,924,880
Instruction	36,316,799	-	2,290,795	38,607,594
Pupil transportation	2,602,427	1,078,717	41,855	3,722,999
Employee benefits	20,639,598	-	290,780	20,930,378
Debt service - principal	2,220,000	-	-	2,220,000
Debt service - interest	274,344	-	-	274,344
Cost of sales	-	-	628,510	628,510
Other expenses	-	-	895,407	895,407
Capital outlay	-	6,092,654	-	6,092,654
TOTAL EXPENDITURES	**$ 70,978,048**	**$ 7,171,371**	**$ 4,147,347**	**$ 82,296,766**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 2,912,165	$ (6,218,379)	$ 25,261	$ (3,280,953)
OTHER FINANCING SOURCES (USES)				
Transfers - in	$ 117,722	$ 11,000,000	$ 300,861	$ 11,418,583
Transfers - out	(11,279,578)	(76,650)	(62,355)	(11,418,583)
Proceeds from obligations	-	1,100,000	-	1,100,000
TOTAL OTHER FINANCING SOURCES (USES)	**$ (11,161,856)**	**$ 12,023,350**	**$ 238,506**	**$ 1,100,000**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**$ (8,249,691)**	**$ 5,804,971**	**$ 263,767**	**$ (2,180,953)**
FUND BALANCE, BEGINNING OF YEAR	25,913,975	1,954,496	4,254,111	32,122,582
FUND BALANCE, END OF YEAR	**$ 17,664,284**	**$ 7,759,467**	**$ 4,517,878**	**$ 29,941,629**

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

For Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			$ (2,180,953)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:			
	Capital Outlay	$ 6,092,654	
	Additions to Assets, Net	1,220,247	
	Depreciation	(2,017,293)	
			5,295,608
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:			
	Debt Repayments	$ 2,220,000	
	Proceeds from Bond Issuance	(1,100,000)	
	Unamortized Bond Premium	64,328	
			1,184,328
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(498)
The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.			(6,346,281)
(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds			
	Teachers' Retirement System		(446,438)
	Employees' Retirement System		8,642
Portion of deferred (inflow) / outflow recognized in long term debt			(109,884)
In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:			
	Compensated Absences		(67,404)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			**$ (2,662,880)**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 43,363	$ 400,117
Receivable from general fund	-	164
TOTAL ASSETS	**$ 43,363**	**$ 400,281**
LIABILITIES		
Accounts payable	$ -	$ 34,535
Extraclassroom activity balances	-	170,579
Other liabilities	-	195,167
TOTAL LIABILITIES	**$ -**	**$ 400,281**
NET POSITION		
Restricted for scholarships	$ 43,363	
TOTAL NET POSITION	**$ 43,363**	

Statement of Changes in Fiduciary Net Position

For Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	$ 2,679
Investment earnings	24
TOTAL ADDITIONS	**$ 2,703**
DEDUCTIONS	
Other expenses	$ 5,929
TOTAL DEDUCTIONS	**$ 5,929**
CHANGE IN NET POSITION	$ (3,226)
NET POSITION, BEGINNING OF YEAR	46,589
NET POSITION, END OF YEAR	**$ 43,363**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2018

I. Summary of Significant Accounting Policies

The financial statements of the Horseheads Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

1. Extraclassroom Activity Funds

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

B. Joint Venture

The District is a component of the Greater Southern Tier Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

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

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

During the year, the District was billed $13,253,069 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $4,421,277.

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

C. Basis of Presentation

1. Districtwide Statements

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

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

2. Fund Statements

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

(I.) (Continued)

The District reports the following governmental funds:

a. Major Governmental Funds

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

Capital Projects Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. Nonmajor Governmental - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Miscellaneous Special Revenue Fund - This fund accounts for the proceeds of fundraisers, small private events and donations for specific purposes such as scholarships and school related events.

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 14, 2017. Taxes are collected during the period September 1 to October 31.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Estimates

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

I. Cash and Cash Equivalents

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

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

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

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. 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 District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of capitalization thresholds and estimated useful lives by type of assets is as follows:

Class	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 15,000	N/A	N/A
Buildings and Improvements	$ 15,000	SL	40 Years
Furniture and Equipment	$ 5,000	SL	5 - 15 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

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

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. 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. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

(I.) (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O. Vested Employee Benefits

1. 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.

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

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

In the funds 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.

P. Other Benefits

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

(I.) (Continued)

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Equity Classifications

1. District-Wide Statements

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

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

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

On the Statement of Net Position the following balances represent the restricted for other purposes:

	Total
Unemployment Costs	$ 342,901
Tax Certiorari	945,013
Employee Benefits Accrued Liability	1,542,206
Total Net Position - Restricted for Other Purposes	**$ 2,830,120**

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

2. Fund Statements

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

a. Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

(I.) (Continued)

		Total
Inventory in school lunch	$	85,253
Total Nonspendable Fund Balance	**$**	**85,253**

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

Capital Reserve - According to Education Law §3651, must be 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. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

Name of Reserve	Maximum Funding	Total Funding Provided	Total Year to Date Balance
Capital Building/Transportation	$ 15,000,000	$ 15,000,000	$ 5,018,993

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

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

Repair Reserve - According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

(I.) (Continued)

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which 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 proceeding 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.

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

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and the School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

General Fund -		
Capital Reserve	$	5,018,993
Unemployment Costs		342,901
Retirement Contribution		4,526,168
Tax Certiorari		945,013
Employee Benefits Accrued Liability		1,542,206
Capital Fund -		
Capital Projects		7,759,467
Debt Service Fund -		
Debt Service		4,046,018
Total Restricted Funds	**$**	**24,180,766**

The District has appropriated the following reserves to support the 2018-19 budget:

Retirement Contributions	$	588,000
EBLAR		150,000
Unemployment		12,000
Total	**$**	**750,000**

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2018.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Management has determined that amounts in excess of $97,066 are considered significant and are summarized below:

- Pupil transportation $150,789

The Capital Fund had $10,293,929 in outstanding encumbrances for capital improvements at year end.

Assigned fund balances include the following:

General Fund-Encumbrances	$	208,368
General Fund-Appropriated for Taxes		2,000,000
School Lunch Fund-Year End Equity		301,247
Miscellaneous special revenue		85,360
Total Assigned Fund Balance	**$**	**2,594,975**

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

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

3. Order of Use of Fund Balance

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

S. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB has issued Statement 85, *Omnibus 2017.*

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*.

T. Future Changes in Accounting Standards

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2018.

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019

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

II. Restatement of Net Position

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net position has been restated as follows:

		Districtwide Statements
		Governmental Activities
Net position beginning of year, as previously stated	$	(5,341,012)
Increase to OPEB liability		(98,874,356)
Net position beginning of year, as restated	$	(104,215,368)

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement requires Districts to report Other Postemployment Benefits (OPEB) liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. See Note II for the financial statement impact of implementation of the Statements.

IV. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2017-18 fiscal year, the budget was increased by $10,000,000 for a capital project, $129,019 for insurance recoveries, $8,065 for donations, and $59,334 for prior year encumbrances.

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

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

B. Encumbrances

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

V. Cash and Cash Equivalents

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

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution	44,922,908
Total	**$ 44,922,908**

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes $24,180,766 within the governmental funds and $43,363 in the fiduciary funds.

VI. Receivables

Receivables at June 30, 2018 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
Description	**General Fund**	**Capital Project Fund**	**Nonmajor Funds**	**Total**
Accounts Receivable	$ 50,374	$ -	$ 5,127	$ 55,501
Due From State and Federal	3,024,234	2,690,464	859,912	6,574,610
Due From Other Governments	122,271	-	-	122,271
Total	**$ 3,196,879**	**$ 2,690,464**	**$ 865,039**	**$ 6,752,382**

District management has deemed the amounts to be fully collectible.

VII. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2018 were as follows:

	Interfund		Interfund	
	Receivables	**Payables**	**Revenues**	**Expenditures**
General Fund	$ 1,633,621	$ 1,707	$ 117,722	$ 11,279,578
Special Aid Fund	-	802,826	102,996	-
School Lunch Fund	-	44,676	176,582	-
Debt Service Fund	29,032	-	21,283	62,355
Miscellaneous Special Revenue	1,707	-	-	-
Capital Fund	-	815,151	11,000,000	76,650
Total government activities	**$ 1,664,360**	**$ 1,664,360**	**$ 11,418,583**	**$ 11,418,583**

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VIII. Long Term Assets

A. Capital Assets

Capital asset balances and activity were as follows:

Type	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities:				
Capital assets that are not depreciated -				
Land	$ 375,730	$ -	$ -	$ 375,730
Work in progress	5,057,636	6,092,654	(1,944,633)	9,205,657
Total Nondepreciable	$ 5,433,366	$ 6,092,654	$ (1,944,633)	$ 9,581,387
Capital assets that are depreciated -				
Buildings and improvements	$ 66,555,812	$ 1,944,633	$ -	$ 68,500,445
Machinery and equipment	10,885,707	1,220,247	(18,475)	12,087,479
Total Depreciated Assets	$ 77,441,519	$ 3,164,880	$ (18,475)	$ 80,587,924
Less accumulated depreciation -				
Buildings and improvements	$ (26,745,828)	$ (1,112,693)	$ -	$ (27,858,521)
Machinery and equipment	(6,546,546)	(904,598)	18,475	(7,432,669)
Total accumulated depreciation	$ (33,292,374)	$ (2,017,291)	$ 18,475	$ (35,291,190)
Total capital assets depreciated, net of accumulated depreciation	$ 44,149,145	$ 1,147,589	$ -	$ 45,296,734
Total Capital Assets	**$ 49,582,511**	**$ 7,240,243**	**$ (1,944,633)**	**$ 54,878,121**

(VIII.) (Continued)

Depreciation expense for the period was charged to functions/programs as follows:

Governmental Activities:		
General government support	$	29,117
Instruction		1,073,975
Pupil transportation		841,882
School lunch		72,317
Total Depreciation Expense	**$**	**2,017,291**

B. Deferred Outflow of Resources

Deferred Outflows		
Deferred outflow - pensions	$	17,561,819
Deferred outflow - OPEB		7,742,108
Deferred outflow - gain/loss on refunding		219,767
Total Deferred Outflow	**$**	**25,523,694**

IX. Long-Term Debt Obligations

A. Long-term liability

The balances and activity for the year are summarized below:

Governmental Activities:	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
Bonds and Notes Payable -					
Serial Bonds	$ 10,740,000	$ 1,100,000	$ 2,220,000	$ 9,620,000	$ 2,190,000
Unamortized Bond Premium	192,987	-	64,328	128,659	64,328
Total Serial Bonds, net	$ 10,932,987	$ 1,100,000	$ 2,284,328	$ 9,748,659	$ 2,254,328
Other Liabilities -					
Net Pension Liability	$ 3,637,401	$ -	$ 2,942,332	$ 695,069	$ -
OPEB	184,852,299	14,088,391	-	198,940,690	-
Compensated Absences	3,271,014	-	56,131	3,214,883	119,644
Total Other Liabilities	$ 191,760,714	$ 14,088,391	$ 2,998,463	$ 202,850,642	$ 119,644
Total Long-Term Obligations	**$ 202,693,701**	**$ 15,188,391**	**$ 5,282,791**	**$ 212,599,301**	**$ 2,373,972**

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

B. **Deferred Inflow of Resources**

Deferred Inflow	
Deferred inflow - pension	$ 5,871,169
Total Deferred Outflow	**$ 5,871,169**

C. Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate	Amount Outstanding 6/30/2018
Serial Bonds -				
$9,830,000 Capital improvement	2011	2020	2.00%-5.00%	$ 1,630,000
$6,225,000 Capital improvement	2016	2024	1.50%-2.00%	6,000,000
$1,100,000 Bus purchases	2017	2022	2.00%	890,000
$1,100,000 Bus purchases	2018	2023	4.00%	1,100,000
Total Serial Bonds				$ 9,620,000
Unamortized bond premium				128,659
Total Serial Bonds, net				**$ 9,748,659**

D. The following is a summary of debt service requirements:

	Serial Bonds	
Year	**Principal**	**Interest**
2019	$ 2,190,000	$ 231,189
2020	2,255,000	160,050
2021	1,445,000	104,800
2022	1,460,000	74,000
2023	1,255,000	40,050
2024	1,015,000	10,150
Total	**$ 9,620,000**	**$ 620,239**

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. $7,870,000 of bonds outstanding are considered defeased. The excess of the reacquisition price over the net carrying amount of the refunded bonds in the amount of $988,955 has been deferred and is being amortized ($109,884 annually) using the straight-line method through 2020. The balance of the deferred amount on refunding as of June 30, 2018 is $219,767 and is reflected as a deferred outflow on the Statement of Net Position.

E. Interest on long-term debt for June 30, 2018 was composed of:

Interest paid	$	274,344
Plus: deferred bond refunding being amortized		109,884
Less: bond premium being amortized		(64,328)
Less: interest accrued in the prior year		(47,836)
Plus: interest accrued in the current year		48,334
Total interest expense	**$**	**320,398**

X. Pension Plans

A. General Information

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

B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

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

C. Funding Policies

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

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2018:

Contributions	ERS	TRS
2018	$ 912,617	$ 2,610,358

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension assets/(liability)	$ (695,069)	$ 1,177,467
District's portion of the Plan's total net pension asset/(liability)	0.0215%	0.1549%

For the year ended June 30, 2018, the District recognized pension expenses of $897,609 for ERS and $2,896,047 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(X.) (Continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expended and actual experience	$ 247,909	$ 968,766	$ 204,862	$ 459,081
Changes of assumptions	460,888	11,980,960	-	-
Net difference between projected and actual earnings on pension plan investments	1,009,533	-	1,992,716	2,773,276
Changes in proportion and differences between the District's contributions and proportionate share of contributions	147,073	76,102	2,515	438,719
Subtotal	$ 1,865,403	$ 13,025,828	$ 2,200,093	$ 3,671,076
District's contributions subsequent to the measurement date	221,785	2,448,803	-	-
Grand Total	**$ 2,087,188**	**$ 15,474,631**	**$ 2,200,093**	**$ 3,671,076**

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

Year	ERS	TRS
2018	$ -	$ 208,233
2019	206,100	3,105,548
2020	146,882	2,204,109
2021	(470,184)	498,872
2022	(217,488)	2,197,510
Thereafter	-	1,140,480
Total	**$ (334,690)**	**$ 9,354,752**

E. Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

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 adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

Long Term Expected Rate of Return

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type -		
Domestic equity	4.55%	5.90%
International equity	6.35%	7.40%
Private equity	7.50%	0.00%
Real estate	5.55%	4.30%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	2.80%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Alternative investments	0.00%	9.00%
Domestic fixed income securities	0.00%	1.60%
Global fixed income securities	0.00%	1.30%
Short-term	0.00%	0.60%

The real rate of return is net of the long-term inflation assumption of 2.5%

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8% for ERS and 8.25% for TRS) than the current rate :

ERS	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	$ (5,259,078)	$ (695,069)	$ 3,165,901

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	$ (20,284,275)	$ 1,177,467	$ 19,150,611

H. 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:

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

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $221,785.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS 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, 2018 amounted to $2,610,358.

XI. Postemployment Benefits

A. General Information About the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	476
Active Employees	531
Total	**1,007**

B. Total OPEB Liability

The District's total OPEB liability of $198,940,690 was measured as of March 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	3.00%
Discount Rate	3.61%
Healthcare Cost Trend Rates	Initial rate of 7.25% decreasing to an ultimate rate of 3.886% for 2075 and later years
Retirees' Share of Benefit-Related Costs	Varies between 0% and 20% depending on contract

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

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-2017 mortality improvement scale on a fully generational basis.

(XI.) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 184,852,300
Changes for the Year -	
Service cost	$ 5,874,094
Interest	7,151,481
Changes of benefit terms	(332,508)
Changes in assumptions or other inputs	6,454,364
Benefit payments	(5,059,041)
Net Changes	$ 14,088,390
Balance at June 30, 2018	**$ 198,940,690**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80 percent in 2017 to 3.61 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.61 percent) or 1-percentage-point higher (4.61 percent) than the current discount rate:

	1% Decrease (2.61%)	Discount Rate (3.61%)	1% Increase (4.61%)
Total OPEB Liability	$ 235,712,801	$ 198,940,690	$ 169,779,635

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

	1% Decrease (6.25% Decreasing to 2.886%)	Healthcare Cost Trend Rates (7.25% Decreasing to 3.886%)	1% Increase (8.25% Decreasing to 4.886%
Total OPEB Liability	$ 161,792,804	$ 198,940,690	$ 250,119,690

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

For the year ended June 30, 2018, the District recognized OPEB expense of $13,980,811. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(XI.) (Continued)

	Deferred Outflows of Resources
Differences between expended and actual experience	$ -
Changes of assumptions	6,454,364
Benefit payments subsequent to the measurement date	1,287,744
Total	**$ 7,742,108**

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

Year	
2019	$ 914,216
2020	914,216
2021	914,216
2022	914,216
2023	914,216
Thereafter	1,883,284
Total	**$ 6,454,364**

XII. Risk Management

A. General Information

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

B. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2017-18 fiscal year totaled $5,425. The balance of the fund at June 30, 2018 was $342,901 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

C. Self-Funded Medical Plan

The District participates in a self-funded medical plan administered through a third party administrator. The Plan is referred to as a premium credit plan. The District pays actual claim expenses and administrative charges. The District also, has stop-loss insurance coverage on specific claims in excess of $130,000 within the plan year.

Liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The incurred but not reported claims (IBNR's) are fully funded and reported in the General Fund as part of the accrued liabilities balances at June 30, 2018.

A reconciliation of the claims recorded for 2018 and 2017 are as follows:

	2018	2017
Beginning liabilities	$ 836,698	$ 901,324
Incurred claims	15,317,974	14,137,513
Claims payments	(15,466,972)	(14,202,139)
Ending liabilities	**$ 687,700**	**$ 836,698**

The following statistical information is presented:

Year	Contribution Revenue	Incurred Claim Expense
2018	$ 15,466,972	$ 15,317,974
2017	$ 14,202,139	$ 14,137,513
2016	$ 9,592,973	$ 9,543,752

Contribution revenues consist of the expenditures charged to the funds plus the employee's payroll withholding plus the retiree's contribution. There are additional revenues which offset the claim expense such as rebates and refunds which are not included in contribution revenues.

The Plan has funded the incurred but not yet reported claims liability. The funding of this liability indicates that the plan's self funded insurance program is fully funded.

XIII. Commitments and Contingencies

A. Litigation

The District has ten Tax Certiorari claims which are pending. The outcomes of these claims cannot be determined at this time, however, the District has established a tax certiorari reserve to help offset the potential impact of any potential claims. In addition, there is one potential claim which should be covered by insurance.

B. Grants

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

XIV. Rental of District Property

The District leases property, buses, and services to various organizations. Total rental income for the 2017-18 fiscal year totaled $383,745.

XV. Tax Abatement

The County of Chemung IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced $2,842,114. The District received payment in lieu of tax (PILOT) payment totaling $1,265,951 to help offset the property tax reduction.

Required Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Changes in District's Total OPEB Liability and Related Ratio

(Unaudited)

For Year Ended June 30, 2018

TOTAL OPEB LIABILITY

		2018
Service cost	$	5,874,094
Interest		7,151,481
Changes in benefit terms		(332,508)
Changes of assumptions or other inputs		6,454,364
Benefit payments		(5,059,041)
Net Change in Total OPEB Liability	**$**	**14,088,390**
Total OPEB Liability - Beginning	**$**	**184,852,300**
Total OPEB Liability - Ending	**$**	**198,940,690**
Covered Employee Payroll	$	32,912,432
Total OPEB Liability as a Percentage of Covered Employee Payroll		604.45%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of the District's Proportionate Share of the Net Pension Liability

(Unaudited)

For Year Ended June 30, 2018

NYSERS Pension Plan

	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.0215%	0.0212%	0.0203%	0.0205%
Proportionate share of the net pension liability (assets)	$ 695,069	$ 1,989,479	$ 3,254,449	$ 692,909
Covered-employee payroll	$ 6,198,285	$ 5,911,576	$ 5,404,301	$ 5,784,364
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	11.214%	33.654%	60.220%	11.979%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.1549%	0.1539%	0.1462%	0.1496%
Proportionate share of the net pension liability (assets)	$ (1,177,467)	$ 1,647,922	$ (15,190,299)	$ (16,593,570)
Covered-employee payroll	$ 24,999,629	$ 24,542,853	$ 23,747,221	$ 21,967,468
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-4.710%	6.714%	-63.967%	-75.537%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2018

NYSERS Pension Plan

	2018	2017	2016	2015
Contractually required contributions	$ 912,617	$ 894,861	$ 888,249	$ 1,112,593
Contributions in relation to the contractually required contribution	(912,617)	(894,861)	(888,249)	(1,112,593)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 6,198,285	$ 5,911,576	$ 5,404,301	$ 5,784,364
Contributions as a percentage of covered-employee payroll	14.72%	15.14%	16.44%	19.23%

NYSTRS Pension Plan

	2018	2017	2016	2015
Contractually required contributions	$ 2,610,358	$ 3,040,542	$ 3,281,163	$ 3,974,360
Contributions in relation to the contractually required contribution	(2,610,358)	(3,040,542)	(3,281,163)	(3,974,360)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 24,999,629	$ 24,542,853	$ 23,747,221	$ 21,967,468
Contributions as a percentage of covered-employee payroll	10.44%	12.39%	13.82%	18.09%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget (Non-GAAP Basis) and Actual - General Fund

(Unaudited)

For Year Ended June 30, 2018

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Revised Budget
REVENUES				
Local Sources -				
Real property taxes	$ 30,669,720	$ 31,067,905	$ 31,077,676	$ 9,771
Real property tax items	6,624,249	6,226,064	6,343,349	117,285
Charges for services	409,900	409,900	565,555	155,655
Use of money and property	312,422	312,422	241,316	(71,106)
Sale of property and compensation for loss	350,000	479,019	1,289,330	810,311
Miscellaneous	1,145,000	1,153,065	1,480,108	327,043
State Sources -				
Basic formula	22,571,484	22,571,484	22,248,999	(322,485)
Lottery aid	5,000,000	5,000,000	5,382,179	382,179
BOCES	4,213,798	4,213,798	4,421,277	207,479
Textbooks	391,409	391,409	392,318	909
All Other Aid -				
Library loan	28,013	28,013	26,916	(1,097)
Handicapped students	250,000	250,000	87,693	(162,307)
Other aid	-	-	21,070	21,070
Federal Sources	80,000	80,000	312,427	232,427
TOTAL REVENUES	$ 72,045,995	$ 72,183,079	$ 73,890,213	$ 1,707,134
Other Sources -				
Transfer - in	$ 62,355	$ 62,355	$ 117,722	$ 55,367
TOTAL REVENUES AND OTHER SOURCES	$ 72,108,350	$ 72,245,434	$ 74,007,935	$ 1,762,501
Appropriated reserves	$ 385,249	$ 10,385,249		
Appropriated fund balance	$ 2,500,000	$ 2,500,000		
Prior year encumbrances	$ 59,334	$ 59,334		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	**$ 75,052,933**	**$ 85,190,017**		

Required Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget (Non-GAAP Basis) and Actual - General Fund

(Unaudited)

For Year Ended June 30, 2018

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General Support -					
Board of education	$ 36,080	$ 37,082	$ 30,962	$ -	$ 6,120
Central administration	292,267	269,584	248,213	-	21,371
Finance	1,100,109	1,110,277	1,105,321	-	4,956
Staff	649,753	666,117	640,368	-	25,749
Central services	5,600,334	5,621,232	5,181,068	13,051	427,113
Special items	1,762,813	1,741,413	1,718,948	-	22,465
Instructional -					
Instruction, administration and improvement	3,109,599	3,122,610	3,005,827	-	116,783
Teaching - regular school	19,068,090	18,971,571	18,106,926	44,527	820,118
Programs for children with handicapping conditions	8,755,983	8,280,559	7,897,080	-	383,479
Occupational education	2,845,446	2,851,072	2,846,501	-	4,571
Teaching - special schools	3,000	4,810	3,733	-	1,077
Instructional media	1,417,089	1,420,034	1,371,940	-	48,094
Pupil services	3,094,614	3,205,718	3,084,792	-	120,926
Pupil Transportation	2,598,923	2,916,395	2,602,427	150,789	163,179
Employee Benefits	20,964,488	21,197,620	20,639,598	-	558,022
Debt service - principal	2,220,000	2,220,000	2,220,000	-	-
Debt service - interest	274,345	274,345	274,344	-	1
TOTAL EXPENDITURES	$ 73,792,933	$ 73,910,439	$ 70,978,048	$ 208,367	$ 2,724,024
Other Uses -					
Transfers - out	1,260,000	11,279,578	11,279,578	-	$ -
TOTAL EXPENDITURES AND OTHER USES	$ 75,052,933	$ 85,190,017	$ 82,257,626	$ 208,367	$ 2,724,024
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**$ -**	**$ -**	**$ (8,249,691)**		
FUND BALANCE, BEGINNING OF YEAR	25,913,975	25,913,975	25,913,975		
FUND BALANCE, END OF YEAR	**$ 25,913,975**	**$ 25,913,975**	**$ 17,664,284**		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Schedule of Change From Adopted Budget To Final Budget And The Real Property Tax Limit

For Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget		$ 74,993,599
Prior year's encumbrances		59,334
Original Budget		$ 75,052,933
Budget revisions -		
Insurance recoveries		129,019
Donations		8,065
Capital project		10,000,000
FINAL BUDGET		**$ 85,190,017**

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2018-19 voter approved expenditure budget		$ 77,016,203
<u>Unrestricted fund balance:</u>		
Assigned fund balance	$ 2,208,368	
Unassigned fund balance	3,080,635	
Total Unrestricted fund balance	$ 5,289,003	
<u>Less adjustments:</u>		
Appropriated fund balance	$ 2,000,000	
Encumbrances included in assigned fund balance	208,368	
Total adjustments	$ 2,208,368	
General fund fund balance subject to Section 1318 of Real Property Tax Law		3,080,635
ACTUAL PERCENTAGE		**4.00%**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND

Schedule of Project Expenditures

For Year Ended June 30, 2018

Project Title	Original Appropriation	Revised Appropriation	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Local Sources	Methods of Financing: State Sources	Methods of Financing: Transfers	Methods of Financing: Total	Fund Balance
Unspent capital outlay projects	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 272,919	$ 272,919	$ 272,919
2013-14 capital project	1,300,000	1,300,000	1,293,700	-	1,293,700	6,300	1,300,000	-	-	1,300,000	6,300
2015-16 capital project	1,000,000	1,000,000	971,643	28,357	1,000,000	-	1,000,000	-	-	1,000,000	-
MS/IS Tech and Softball Fields	3,000,000	3,000,000	2,043,755	956,245	3,000,000	-	3,000,000	-	-	3,000,000	-
2016-17 capital project	1,000,000	1,000,000	309,326	690,674	1,000,000	-	1,000,000	-	-	1,000,000	-
SSBA capital project Phase I	2,929,862	2,929,862	1,737,473	952,992	2,690,465	239,397	-	2,690,465	-	2,690,465	-
2017-18 capital project	94,685,637	94,685,637	-	3,072,015	3,072,015	91,613,622	10,000,000	-	-	10,000,000	6,927,985
2017-18 roof project	1,000,000	1,000,000	-	447,737	447,737	552,263	1,000,000	-	-	1,000,000	552,263
2017-18 bus purchase	1,100,000	1,100,000	-	1,100,000	1,100,000	-	1,100,000	-	-	1,100,000	-
TOTAL	**$ 106,015,499**	**$ 106,015,499**	**$ 6,355,897**	**$ 7,248,020**	**$ 13,603,917**	**$ 92,411,582**	**$ 18,400,000**	**$ 2,690,465**	**$ 272,919**	**$ 21,363,384**	**$ 7,759,467**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Combined Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds				
	Special Aid Fund	School Lunch Fund	Miscellaneous Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 4,500	$ 375,335	$ 83,653	$ 4,016,986	$ 4,480,474
Receivables	859,912	5,127	-	-	865,039
Inventories	-	85,253	-	-	85,253
Due from other funds	-	-	1,707	29,032	30,739
TOTAL ASSETS	**$ 864,412**	**$ 465,715**	**$ 85,360**	**$ 4,046,018**	**$ 5,461,505**
LIABILITIES AND FUND BALANCES					
Liabilities -					
Accounts payable	$ 27,766	$ 2,134	$ -	$ -	$ 29,900
Accrued liabilities	896	485	-	-	1,381
Due to other funds	802,826	44,676	-	-	847,502
Due to other governments	535	842	-	-	1,377
Unearned revenue	32,389	31,078	-	-	63,467
TOTAL LIABILITIES	**$ 864,412**	**$ 79,215**	**$ -**	**$ -**	**$ 943,627**
Fund Balances -					
Nonspendable	$ -	$ 85,253	$ -	$ -	$ 85,253
Restricted	-	-	-	4,046,018	4,046,018
Assigned	-	301,247	85,360	-	386,607
TOTAL FUND BALANCE	**$ -**	**$ 386,500**	**$ 85,360**	**$ 4,046,018**	**$ 4,517,878**
TOTAL LIABILITIES AND FUND BALANCES	**$ 864,412**	**$ 465,715**	**$ 85,360**	**$ 4,046,018**	**$ 5,461,505**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Combined Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For Year Ended June 30, 2018

	Special Revenue Fund				Total
	Special Aid Fund	School Lunch Fund	Miscellaneous Special Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds
REVENUES					
Use of money and property	$ -	$ 1,242	$ -	$ 40,773	$ 42,015
Miscellaneous	17,791	5,111	29,755	-	52,657
State sources	643,752	34,092	-	-	677,844
Federal sources	1,600,213	961,606	-	-	2,561,819
Sales	-	644,100	-	-	644,100
Premium on obligations issued	-	-	-	194,173	194,173
TOTAL REVENUES	**$ 2,261,756**	**$ 1,646,151**	**$ 29,755**	**$ 234,946**	**$ 4,172,608**
EXPENDITURES					
Instruction	$ 2,290,795	$ -	$ -	$ -	$ 2,290,795
Pupil transportation	41,855	-	-	-	41,855
Employee benefits	32,102	258,678	-	-	290,780
Cost of sales	-	628,510	-	-	628,510
Other expenses	-	845,618	49,789	-	895,407
TOTAL EXPENDITURES	**$ 2,364,752**	**$ 1,732,806**	**$ 49,789**	**$ -**	**$ 4,147,347**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (102,996)	$ (86,655)	$ (20,034)	$ 234,946	$ 25,261
OTHER FINANCING SOURCES (USES)					
Transfers - in	$ 102,996	$ 176,582	$ -	$ 21,283	$ 300,861
Transfers - out	-	-	-	(62,355)	(62,355)
TOTAL OTHER FINANCING SOURCES (USES)	**$ 102,996**	**$ 176,582**	**$ -**	**$ (41,072)**	**$ 238,506**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**$ -**	**$ 89,927**	**$ (20,034)**	**$ 193,874**	**$ 263,767**
FUND BALANCE, BEGINNING OF YEAR	-	296,573	105,394	3,852,144	4,254,111
FUND BALANCE, END OF YEAR	**$ -**	**$ 386,500**	**$ 85,360**	**$ 4,046,018**	**$ 4,517,878**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Net Investment in Capital Assets

For Year Ended June 30, 2018

Capital assets, net		$ 54,878,121
Add:		
Unamortized bond refunding	$ 219,767	
		219,767
Deduct:		
Short-term portion of bonds payable	$ 2,190,000	
Long-term portion of bonds payable	7,430,000	
Unamortized bond premium	128,659	
		9,748,659
Net Investment in Capital Assets		**$ 45,349,229**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2018

Grantor / Pass - Through Agency Federal Award Cluster / Program	CFDA Number	Grantor Number	Pass-Through Agency Number	Total Expenditures
U.S. Department of Education:				
Indirect Programs:				
Passed Through NYS Education Department -				
Special Education Cluster IDEA -				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032.18-0121	$ 958,339
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-18-0121	26,870
Total Special Education Cluster IDEA				$ 985,209
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-17-0415	15,616
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-18-0415	129,337
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-18-0415	470,051
Total U.S. Department of Education				**$ 1,600,213**
U.S. Department of Agriculture:				
Indirect Programs:				
Passed Through NYS Education Department -				
Child Nutrition Cluster -				
National School Lunch Program	10.555	N/A	D039	$ 670,126
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	D039	121,304
National School Breakfast Program	10.553	N/A	D039	170,176
Total Child Nutrition Cluster				$ 961,606
Total U.S. Department of Agriculture				**$ 961,606**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 2,561,819**

(See Independent Auditors' Report)

RAYMOND F. WAGER, CPA, P.C.
Certified Public Accountants

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*

Independent Auditors' Report

To the Board of Education
Horseheads Central School District, 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 Horseheads Central School District, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Horseheads Central School District, New York's basic financial statements, and have issued our report thereon dated September 7, 2018.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Horseheads Central School District, New York'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raymond F. Wager, CPA, PC

Rochester, New York
September 7, 2018