PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Notes 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 taxes 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 Notes to become subject to federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX MATTERS" herein.

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

$61,695,000

HORSEHEADS CENTRAL SCHOOL DISTRICT

CHEMUNG COUNTY, NEW YORK

GENERAL OBLIGATIONS

$61,695,000 Bond Anticipation Notes, 2020

(the "Notes")

Dated: June 24, 2020 **Due: June 24, 2021**

The Notes will constitute general obligations of the Horseheads Central School District, Chemung County, New York (the "District"), will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes and will be payable from ad valorem taxes, which may be levied upon all the taxable real property within the School District, without limitation as to rate or amount. The faith and credit of the Horseheads Central School District are irrevocably pledged for the payment of the Notes and the interest thereon. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. The Notes will be issued without the option of prior redemption.

At the option of the purchaser, the Notes will be issued as registered notes registered in the name of the purchaser or in book-entry-only form. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the offices of the School District. The purchaser shall have the right to designate a bank or banks located and authorized to do business in the State of New York as the place or places for the payment of the principal and interest on the Notes. Any related bank fees, if any, are to be paid by the purchaser. A single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the purchaser notifies Bond Counsel by 3:00 P.M., prevailing time on the date of sale, such Notes may be issued in the form of book-entry-only notes, in denominations corresponding to the aggregate principal amount for each Note bearing the same rate of interest and CUSIP number. In the event that the purchaser choose book-entry-only notes, as a condition to delivery of the Notes, the successful bidder(s) will be required to cause such note certificates to be (i) registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and (ii) deposited with DTC to be held in trust until maturity. DTC is an automated depository for securities and clearinghouse for securities transactions, and will be responsible for establishing and maintaining a book-entry system for recording the ownership interests of its participants, which include certain banks, trust companies and securities dealers, and the transfers of the interests among its participants. The DTC participants will be responsible for establishing and maintaining records with respect to the Notes. Individual purchases of beneficial ownership interests in the Notes may only be made through book entries (without certificates issued by the School District) made on the books and records of DTC (or a successor depository) and its participants, in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable by the School District by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The School District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes 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 Notes of Barclay Damon LLP, Bond Counsel, Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon with the purchaser on or about June 24, 2020.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on June 2, 2020 by no later than 10:00 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

May 19, 2020

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

HORSEHEADS CENTRAL SCHOOL DISTRICT
CHEMUNG COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2019-2020 BOARD OF EDUCATION

PAMELA STROLLO
President

KRISTINE DALE
Vice President

DANIEL CHRISTMAS
WARREN CONKLIN
MARY ANNE HOLLERAN
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TYLER PRIBULICK

* * * * * *

DR. THOMAS J. DOUGLAS
Superintendent of Schools

KATY BUZZETTI
Assistant Superintendent for Business

LINDA KLIEVONEIT
Treasurer

NANCY PARILLO
School District Clerk

HOGAN, SARZYNSKI, LYNCH, DEWIND & GREGORY, LLP
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
School District Municipal Advisor

BARCLAY DAMON LLP
Bond Counsel

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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

$61,695,000 Bond Anticipation Notes, 2020

This Official Statement, which includes the cover page and appendices, 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 District of $61,695,000 principal amount of Bond Anticipation Notes, 2020 (the "Notes").

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

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

NATURE OF OBLIGATION

The Notes 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 Notes 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"). 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 Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the 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.

THE NOTES

Description of the Notes

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

The Notes will be dated June 24, 2020 and mature, without option of prior redemption, on June 24, 2021. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

If the Notes are issued registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the School District. In such case, the Notes will be registered in the name of the purchaser and a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate..

If the purchaser notifies Bond Counsel by 3:00 P.M., prevailing time on the date of sale, such Notes may be issued in the form of book-entry-only notes, in denominations corresponding to the aggregate principal amount for each Note bearing the same rate of interest and CUSIP number. In the event that the purchaser choose book-entry-only notes, as a condition to delivery of the Notes, the successful bidder will be required to cause such note certificates to be (i) registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and (ii) deposited with DTC to be held in trust until maturity. DTC is an automated depository for securities and clearinghouse for securities transactions, and will be responsible for establishing and maintaining a book-entry system for recording the ownership interests of its participants, which include certain banks, trust companies and securities dealers, and the transfers of the interests among its participants. The DTC participants will be responsible for establishing and maintaining records with respect to the Notes. Individual purchases of beneficial ownership interests in the Notes may only be made through book entries (without certificates issued by the School District) made on the books and records of DTC (or a successor depository) and its participants, in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable by the School District by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The School District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

On October 17, 2017, the qualified voters of the School District approved a proposition authorizing the issuance of serial general obligation bonds in an aggregate principal amount not to exceed $84,685,637 and the expenditure of $10,000,000 from the Capital Reserve Fund to finance the construction of additions to and the reconstruction of various School District buildings and facilities at a maximum estimated cost of $94,685,637. The Notes are being issued pursuant to a bond resolution duly adopted by the Board of Education on March 22, 2018.

The proceeds of the Notes, along with $305,000 available funds of the District will partially redeem and renew $27,000,000 bond anticipation notes maturing June 25, 2020 and provide $35,000,000 new money for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The 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.

Population

The current estimated population of the District is 27,020. (Source: 2018 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: District officials.

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	2006-2010	2014-2018	2000	2006-2010	2014-2018
Towns of:						
Baldwin	$ 19,075	22,958	$ 26,437	$ 42,250	$ 71,375	$ 57,188
Big Flats	23,391	36,916	38,922	59,500	83,265	94,778
Catlin	17,869	26,299	33,916	42,308	57,105	81,979
Cayuta	18,419	18,861	21,225	35,313	45,417	39,808
Erin	16,747	21,189	30,222	44,032	51,832	68,000
Horseheads	19,795	25,646	33,186	46,827	59,321	76,623
Veteran	20,522	26,330	31,411	50,972	57,926	73,510
Counties of:						
Chemung	25,329	23,457	28,115	43,994	55,246	68,737
Schuyler	24,173	22,123	26,484	41,441	54,322	68,400
State of:						
New York	23,389	30,948	37,470	51,691	67,405	80,419

Note: 2015-2019 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 2014-2018 American Community Survey data.

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	385
Hardinge, Inc.	Manufacturing	370
Wayfair	Retail	350
General Revenue Corporation	Collection Agency	300
Eaton	Manufacturing	260
Schlumberger	Manufacturing	250
Elcor Health Services	Nursing Care Facility	250
Air-Flo Manufacturing	Manufacturing	240
Wal-Mart	Retail	225
Cameron Manufacturing & Design	Manufacturing	192
Corning Inc. Big Flats Plant	Manufacturing	185

Source: District officials.

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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 Continuing Disclosure Statement that the School District is necessarily representative of the Counties, or vice versa.

Annual Average

	2013	2014	2015	2016	2017	2018	2019
Chemung County	7.9%	6.3%	5.9%	5.7%	5.5%	4.7%	4.2%
Schuyler County	8.8%	7.0%	6.6%	6.0%	5.8%	5.1%	4.7%
New York State	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%

2020 Monthly Figures

	Jan	Feb	Mar	Apr	May
Chemung County	5.0%	4.7%	4.9%	N/A	N/A
Schuyler County	6.7%	6.4%	6.7%	N/A	N/A
New York State	4.1%	3.9%	4.4%	N/A	N/A

Unemployment rates for April and May 2020 and for the foreseeable future are expected to increase substantially over prior periods as a result of the COVID-19 pandemic.

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

Form of School Government

The Board of Education, which is the policy-making body of the School District, consists of 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.

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.

The District does not invest in so-called “derivatives” including reverse purchase agreements, which are not authorized investments for municipalities and school districts in the State.

Budgetary Procedures

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

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

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

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

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

Recent Budget Vote Results

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

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 808 yes to 353 no. The budget called for a total tax levy increase of 3.97%, which was below the School District's maximum allowable Tax Cap of 7.63% for the 2019-20 fiscal year.

The State's 2018-19 Enacted Budget included 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 expanded 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.

The school district budget vote for the 2020-21 fiscal year was originally scheduled to be held on May 19, 2020, however, annual school budget votes across the State are postponed until June 9, 2020 under an Executive Order from Governor Andrew Cuomo that extends and expands restrictions aimed at limiting the spread of COVID-19. There will be no in-person voting. All voting will be done by absentee ballot using postage paid envelopes provided by the School District. The District's budget for the 2020-21 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 44.53% of the revenues of the School District are estimated to be received in the form of State aid. In its proposed budget for the 2020-21 fiscal year, approximately 44.42% 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 District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also "MARKET AND RISK FACTORS").

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

Potential reductions in Federal aid received by the State.

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise, including the diversion of federal resources to address the current COVID-19 outbreak.

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.

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

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

Building aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2020-2021 preliminary building aid ratios, the District expects to receive State building aid of approximately 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 had declined in some prior years before increasing more recently.

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

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

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level was divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA was a negative number, money that was deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately $5,075,065. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

School district fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased State aid to education by $1.1 billion, including a $700 million increase in Foundation Aid, bringing the total amount of State aid to education to $25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

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

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid totals $27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately $100 million or 0.4 percent.

The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income.

Provisions in the State's 2020-2021 Enacted Budget grant the Budget Director the authority to reduce "aid-to-localities" appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. Aid-to-localities is a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. The State's Enacted Budget is deemed out of balance for the fiscal year, and the Budget Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The State's 2020-2021 Enacted Budget is premised on the assumption that the Budget Director's powers will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. Due principally to the COVID-19 pandemic, reduced receipts are expected through State fiscal year 2024. According to the four year financial plan released by the State on May 8, 2020, as a result of the COVID-19 pandemic, State spending will be significantly reduced. Such reductions will include reductions to "aid to localities" which includes State aid to school districts, including the School District. Any significant reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

As described above the amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State's 2019-2020 Enacted Budget was adopted on March 31, 2019 and the State's 2018-2019 Enacted Budget was adopted on March 30, 2018, both in advance of the April 1 deadline, the State's 2017-2018 Enacted Budget was adopted on April 9, 2017, a delay of approximately 8 days, and the State's 2020-21 Enacted Budget was adopted on April 2, 2020, a one-day delay. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of Federal aid for health care, education, transportation and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Federal administration and Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision because of changes in Federal policy and the impacts of the COVID-19 pandemic.

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 Federal 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.

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.

State Aid Litigation

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

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

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

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

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

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years, the budgeted figures for the 2019-2020 fiscal year and the proposed budgeted figures for the 2020-2021 fiscal year comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2014-2015	$ 67,969,480	$ 29,023,128	42.70%
2015-2016	71,464,065	30,780,499	43.07
2016-2017	71,620,321	31,433,606	43.89
2017-2018	74,007,935	32,580,452	44.02
2018-2019	77,705,440	32,875,752	42.31
2019-2020 (Budgeted)	77,310,919	34,422,957	44.53
2020-2021 (Proposed)	76,955,431	34,182,273	44.42

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

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: District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2015-16	4,138	2020-21	3,961
2016-17	4,174	2021-22	3,961
2017-18	4,157	2022-23	3,961
2018-19	4,097	2023-24	3,961
2019-20	4,004	2023-24	3,961

Source: District officials.

Employees

The School District employs a total of approximately 693 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, 2024
78	Horseheads Transportation (HHTCSEAU)	June 30, 2020 [(1)]
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, 2024
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 [(1)]
33	Horseheads School Secretaries, CSEA (HHSU)	June 30, 2022
12	Exempt	June 30, 2024

[(1)] Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

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

Fiscal Year	TRS	ERS
2014-2015	$ 3,938,860	$ 995,121
2015-2016	2,949,785	710,939
2016-2017	2,871,100	846,167
2017-2018	2,441,717	847,838
2018-2019	2,742,934	819,131
2019-2020 (Budgeted)	2,512,804	1,092,606

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 (2016 to 2020) is shown below:

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

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

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

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

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

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

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of June 20, 2019, the School District has established such reserve fund.

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

Other Post Employee Benefits

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

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

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

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

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

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

Balance beginning at:	June 30, 2017	June 30, 2018
	$ 184,852,300	$ 198,940,690
Changes for the year:		
Service cost	5,874,094	6,407,554
Interest on total OPEB liability	7,151,481	7,314,744
Changes in Benefit Terms	(332,508)	(6,492,332)
Differences between expected and actual experience	-	-
Changes in Assumptions or other inputs	6,454,364	(13,648,698)
Benefit payments	(5,059,041)	(5,447,489)
Net Changes	$ 14,088,390	$ (11,866,221)
Balance ending at:	June 30, 2018	June 30, 2019
	$ 198,940,690	**$ 187,074,469**

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

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

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

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

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

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;

- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

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

COVID – 19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, has been declared a pandemic by the World Health Organization on March 11, 2020. The outbreak of the disease has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The School District has been communicating with the New York State Education Department and with local and State level department of health agencies. The School District has been following all relevant guidance as it has been released by State and federal agencies. The School District is closed effective March 16, 2020 through the end of the current academic year. Pursuant to an Executive Order of the Governor, the school district annual board of education elections and budget vote originally scheduled for May 19, 2020 has been postponed until June 9, 2020. The degree of the impact of COVID-19 on the School District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. The State has publicly announced that COVID-19 will have a significant negative impact on the State's revenues and 2020-21 budget. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State aid paid to school districts, including the School District. Any delay or reduction in State aid payment to the School District would have a negative impact on the School District's finances and operations.

Other Information

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

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 and is attached hereto as "APPENDIX – D". In addition, the State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

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

New York State Comptroller Report of Examination

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

The State Comptroller’s office released an audit report of the School District 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:

Key Findings

- 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.

Key Recommendations

- 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.

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.

The State Comptroller’s office released an audit report of the School District dated August 30, 2018. This audit presented findings for the Horseheads Central School District, one of seven school districts audited in a Statewide report entitled School District Bus Safety.

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

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

The State Comptroller’s Fiscal Stress Monitoring System

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

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

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

Fiscal Year Ending In	Stress Designation	Fiscal Score
2019	No Designation	6.7%
2018	No Designation	3.3%
2017	No Designation	0.0%

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

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

TAX INFORMATION

Taxable Assessed Valuations

Years Ending June 30:	2016	2017	2018	2019	2020
Towns of:					
Baldwin	$ 3,193	$ 3,194	$ 2,896	$ 2,894	$ 2,886
Big Flats	677,783,308	683,801,346	689,924,813	690,530,881	714,950,802
Catlin	96,627,523	97,379,191	104,311,464	104,603,874	105,456,041
Cayuta	5,454,409	5,402,544	5,403,198	5,418,781	5,417,593
Erin	55,897,115	55,158,797	55,119,901	54,840,051	54,354,569
Horseheads	876,208,923	889,774,814	911,234,509	937,088,129	982,060,293
Veteran	144,507,573	146,795,872	147,106,779	217,371,888	218,346,641
Totals	$ 1,856,482,044	$ 1,878,315,758	$ 1,913,101,560	$ 2,009,856,498	$ 2,080,588,825

New York State Equalization Rate					
Towns of:					
Baldwin	1.60%	1.65%	1.65%	1.63%	1.50%
Big Flats	100.00%	100.00%	100.00%	100.00%	100.00%
Catlin	100.00%	95.00%	100.00%	100.00%	99.00%
Cayuta	100.00%	100.00%	100.00%	100.00%	100.00%
Erin	80.00%	79.00%	74.50%	74.00%	74.00%
Horseheads	93.00%	95.00%	91.00%	95.00%	95.00%
Veteran	88.00%	85.00%	81.00%	100.00%	100.00%
Taxable Full Valuation	$ 1,956,309,480	$ 1,971,029,233	$ 2,056,771,345	$ 2,078,619,704	$ 2,152,628,487

Tax Rate Per $1,000 (Assessed)

Years Ending June 30:	2016	2017	2018	2019	2020
Towns of:					
Baldwin	$1,127.60	$ 1,077.55	$ 1,063.01	$ 1,103.01	$ 1,202.62
Big Flats	18.04	17.78	17.54	17.98	18.04
Catlin	18.04	18.72	17.54	17.98	18.22
Cayuta	18.04	17.78	17.54	17.98	18.04
Erin	22.55	22.51	23.54	24.30	24.38
Horseheads	19.40	18.72	19.27	18.93	18.99
Veteran	20.50	20.92	21.65	17.98	18.04

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:	2016	2017	2018	2019	2020
Total Tax Levy	$ 35,323,835	$ 35,307,604	$ 36,082,023	$ 37,374,963	$ 38,858,749
Amount Uncollected (1)	1,208,193	1,334,842	1,279,244	$1,294,953	1,422,160
% Uncollected	3.4%	3.8%	3.5%	3.5%	3.6%

(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 District for each of the below completed fiscal years, the budgeted figures for the 2019-2020 fiscal year and the proposed budgeted figures for the 2020-2021 fiscal year 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
2014-2015	$ 67,969,480	$ 36,282,872	53.38%
2015-2016	71,464,065	36,372,925	50.90
2016-2017	71,620,321	36,480,912	50.94
2017-2018	74,007,935	37,421,025	50.56
2018-2019	77,705,440	38,450,246	49.48
2019-2020 (Budgeted)	79,905,919	39,888,297	49.92
2019-2020 (Proposed)	79,905,919	39,888,297	49.92

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

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

Name	Type	Taxable Assessed Valuation
NYSEG	Utility	$ 63,730,621
G&I IX Empire Big Flats LLC	Shopping Center	55,069,300
Dominion Energy Transmission	Utility	38,000,000
Arnot Realty Corp.	Rental	30,042,300
L Enterprises LLC	Commercial	16,370,700
Westco Corning LLC	Commercial	15,141,600
Greenridge Apartments LLC	Rental	12,882,400
Wal Mart Real Estate	Shopping Center	12,362,200
Arnot Realty	Commercial	10,898,100
RE ONE LLC	Commercial	9,386,550

The ten larger taxpayers listed above have a total assessed valuation of $263,883,771, which represents 12.7% 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: 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.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $88,050 or less in 2020, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $68,700 for the 2019-20 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $250,000 ($500,000 in the case of a STAR credit, as discussed below) are eligible for a $30,000 "full value" exemption on their primary residence.

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

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

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

Town of:	Enhanced Exemption	Basic Exemption	Date Certified
Baldwin	$ 1,050	$ 450	4/10/2020
Big Flats	69,800	30,000	4/10/2020
Catlin	69,100	29,700	4/10/2020
Cayuta	69,800	30,000	4/10/2020
Erin	51,650	22,200	4/10/2020
Horseheads	66,310	28,500	4/10/2020
Veteran	69,800	30,000	4/10/2020

$4,780,003 of the School District's $37,371,540 school tax levy for 2019-20 was exempted by the STAR Program. The School District received full reimbursement of such exempt taxes from the State in January, 2019.

$4,531,520 of the District's $38,831,852 school tax levy for 2019-20 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January, 2020.

Additional Tax Information

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

Senior Citizens' exemptions are offered to those who qualify. 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 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. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

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

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

Chapter 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. 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. 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, and Chapter 20 does provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Statutory Procedure

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

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

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

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

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

(1) Such obligations are authorized for a purpose for which the 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 has complied with this estoppel procedure in connection with the Notes.

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.

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30th:	2015	2016	2017	2018	2019
Bonds	$ 13,035,000	$ 11,590,000	$ 10,740,000	$ 9,620,000	$ 8,730,000
Bond Anticipation Notes	0	0	0	15,000,000	27,000,000
Total Debt Outstanding	$ 13,035,000	$ 11,590,000	$ 10,740,000	$ 24,620,000	$ 35,730,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of May 19, 2020.

Type of Indebtedness	Maturity		Amount
Bonds	2020-2024		$ 7,060,000
Bond Anticipation Notes			
Capital project	June 25, 2020		27,000,000 (1)
Purchase of school buses	April 16, 2021		1,361,000
		Total Indebtedness	$ 35,421,000

(1) To be partially redeemed and renewed at maturity with the proceeds of the Notes and $305,000 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 19, 2020:

Full Valuation of Taxable Real Property			$ 2,152,628,487
Debt Limit 10% thereof			215,262,849
Inclusions:			
Bonds	$ 7,060,000		
Bond Anticipation Notes	1,666,000		
Principal of this Issue	61,695,000		
Total Inclusions		$ 70,421,000	
Exclusions:			
State Building Aid (1)	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 70,421,000
Net Debt-Contracting Margin			$ 144,841,849
The percent of debt contracting power exhausted is			32.71%

(1) Based on preliminary 2019-2020 building aid estimates, the District anticipates State Building aid of 80.4% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

A schedule of bonded debt service may be found in "APPENDIX – B" to this Official Statement.

Capital Project Plans

On October 17, 2017, 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 $27,00,000 bond anticipation notes for this project. The Notes are being issued, along with $305,000 available funds of the District to partially redeem and renew $27,000,000 bond anticipation notes maturing June 25, 2020 and provide $35,000,000 new money for the aforementioned purpose.

On May 21, 2019, District residents approved a proposition for the purchase of eight (8) 65-passenger buses and two (2) 20-passenger buses at a cost not to exceed $1.4 million. The District issued $1,361,000 bond anticipation notes on April 30, 2020 for the purchase of the school buses.

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

Cash Flow Borrowings

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

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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	12/31/2018	$ 49,726,128	$ 1,107,170	$ 48,618,958	47.06%	$ 22,880,082
Schuyler	12/31/2018	2,632,472	242,472	2,390,000	0.36%	8,604
Towns of:						
Baldwin	12/31/2018	-	-	-	0.37%	-
Big Flats	12/31/2018	2,455,000	420,000	2,035,000	88.95%	1,810,133
Catlin	12/31/2018	590,753	504,871	85,882	63.52%	54,552
Cayuta	12/31/2018	-	-	-	14.29%	-
Erin	12/31/2018	22,156	-	22,156	63.49%	14,067
Horseheads	12/31/2018	494,051	494,051	-	81.61%	-
Veteran	12/31/2018	48,002	48,002	-	87.38%	-
Villages of:						
Horseheads	5/31/2019	-	-	-	100.00%	-
Millport	5/31/2019	-		-	100.00%	-
					Total:	$ 24,767,437

[1] Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.
[2] Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Note: The 2019 Comptroller's Special Report for the County and Towns above are currently unavailable as of the date of this Official Statement.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2018 and 2019.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of May 19, 2020:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 70,421,000	$ 2,606.25	3.27%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	95,188,437	3,522.89	4.42

[a] The current estimated population of the District is 27,020. (See "THE SCHOOL DISTRICT – Population" herein.)
[b] The District's full value of taxable real estate for the 2019-20 fiscal year is $2,152,628,487. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
[c] See "Debt Statement Summary" herein.
[d] Estimated net overlapping indebtedness is $24,767,437. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the 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 such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

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

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

No Past Due Debt. No principal of or interest on 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 Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

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

The School District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes 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 Notes. See “TAX LEVY LIMITATION LAW” herein.

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

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.

COVID-19. An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See also "THE SCHOOL DISTRICT – State Aid" and – "COVID – 19").

TAX MATTERS

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Notes 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 District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to Federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes 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 Notes 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 Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes 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 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 Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the 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 Notes 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 Notes; (2) interest on the Notes 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 Notes, 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 Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

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

The Notes will NOT be designated or deemed designated by the 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 Notes 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 Notes under federal or state law and could affect the market price for, or the marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Barclay Damon LLP, Bond Counsel, Albany, New York to the effect that the Notes are valid and legally binding obligations of the District, that all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Notes and the interest thereon without limitation as to rate or amount, that interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and that interest on the Notes 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 Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. Such opinion also will state that: (a) the rights of the owners of the Notes and the enforceability of the Notes 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 Notes; 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 District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

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

CONTINUING DISCLOSURE

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

Historical Compliance

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

RATING

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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its underlying rating of "A+" with a Stable outlook to certain outstanding general obligation 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 its underlying rating of "Aa3" to certain outstanding 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 outstanding bonds may have an adverse effect on the market price of the outstanding bonds and the Notes.

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

The School District will act as Paying Agent for the Notes. The School District 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@gstboces.org

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

HORSEHEADS CENTRAL SCHOOL DISTRICT

Dated: May 19, 2020

PRESIDENT OF THE BOARD OF EDUCATION AND CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
ASSETS					
Cash and Cash Equivalents	$ 25,230,847	$ 27,429,292	$ 26,761,403	$ 17,003,303	$ 17,054,360
State and Federal Aid Receivable	-	-	-	-	-
Due From Other Governments	845,015	-	-	-	-
Receivables	3,008,984	2,926,561	3,103,277	3,196,879	4,821,695
Prepaid Items	24,020	2,311	416	-	4,728
Due From Other Funds	-	648,093	660,562	1,633,621	1,023,387
TOTAL ASSETS	$ 29,108,866	$ 31,006,257	$ 30,525,658	$ 21,833,803	$ 22,904,170
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 316,024	$ 442,777	$ 216,929	$ 337,548	$ 225,774
Accrued Liabilities	2,550,091	1,205,861	879,710	878,273	2,496,913
Due to Other Funds	81,544	-	1,670	1,707	7,933
Due to Other Governments	3,008	573	-	-	-
Due to Teachers' Retirement System	3,974,360	3,281,163	3,040,542	2,610,358	2,922,602
Due to Employees' Retirement System	303,954	211,991	228,154	221,785	212,207
Compensated Absences	638,885	166,283	243,179	119,644	85,388
Unearned Revenue	-	-	1,499	204	-
TOTAL LIABILITIES	7,867,866	5,308,648	4,611,683	4,169,519	5,950,817
FUND EQUITY					
Nonspendable	$ 24,020	$ 2,311	$ 416	$ -	$ 4,728
Restricted	6,117,747	17,501,837	20,354,481	12,375,281	11,716,393
Committed	7,463,647	2,683,377	-	-	-
Assigned	4,704,500	2,560,600	2,559,334	2,208,368	2,077,922
Unassigned	2,931,086	2,949,484	2,999,744	3,080,635	3,154,310
TOTAL FUND EQUITY	21,241,000	25,697,609	25,913,975	17,664,284	16,953,353
TOTAL LIABILITIES and FUND EQUITY	$ 29,108,866	$ 31,006,257	$ 30,525,658	$ 21,833,803	$ 22,904,170

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:	2015	2016	2017	2018	2019
REVENUES					
Real Property Taxes & Tax Items	$ 36,282,872	$ 36,372,925	$ 36,480,912	$ 37,421,025	$ 38,450,246
Charges for Services	403,859	503,103	735,260	565,555	603,297
Use of Money & Property	471,736	604,157	187,955	241,316	351,344
Sale of Property and Compensation for Loss	73,233	1,339,389	1,136,235	1,289,330	2,805,377
Miscellaneous	1,458,160	1,709,962	1,455,988	1,480,108	1,784,046
Revenues from State Sources	29,023,128	30,780,499	31,433,606	32,580,452	32,875,752
Revenue from Federal Sources	84,571	154,030	183,909	312,427	194,427
Total Revenues	$ 67,797,559	$ 71,464,065	$ 71,613,865	$ 73,890,213	$ 77,064,489
Other Sources:					
Interfund Transfers	171,921	-	6,456	117,722	640,951
Total Revenues and Other Sources	$ 67,969,480	$ 71,464,065	$ 71,620,321	$ 74,007,935	$ 77,705,440
EXPENDITURES					
General Support	$ 8,812,748	$ 8,604,462	$ 9,092,897	$ 8,924,880	$ 8,958,662
Instruction	32,267,561	32,756,106	35,516,635	36,316,799	37,226,050
Pupil Transportation	3,386,277	3,251,595	2,889,646	2,602,427	2,830,190
Community Services	-	-	-	-	-
Employee Benefits	19,942,280	18,761,127	20,298,139	20,639,598	24,687,740
Debt Service	2,540,156	2,358,738	2,265,593	2,494,344	2,833,689
Total Expenditures	$ 66,949,022	$ 65,732,028	$ 70,062,910	$ 70,978,048	$ 76,536,331
Other Uses:					
Interfund Transfers	4,252,967	1,275,428	1,299,268	11,279,578 (1)	1,880,040
Total Expenditures and Other Uses	$ 71,201,989	$ 67,007,456	$ 71,362,178	$ 82,257,626	$ 78,416,371
Excess (Deficit) Revenues Over Expenditures	(3,232,509)	4,456,609	258,143	(8,249,691)	(710,931)
FUND BALANCE					
Fund Balance - Beginning of Year	24,473,507	21,241,000	25,655,832	25,913,975	17,664,284
Prior Period Adjustments (net)	2	-	-	-	-
Fund Balance - End of Year	$ 21,241,000	$ 25,697,609	$ 25,913,975	$ 17,664,284	$ 16,953,353

(1) Includes $11,000,000 transfer from General Fund to Capital Projects Fund.

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2019 Adopted Budget	2019 Modified Budget	2019 Actual	2020 Adopted Budget	2021 Proposed Budget
REVENUES					
Real Property Taxes and Tax Items	$ 38,388,203	$ 38,388,203	$ 38,450,246	$ 39,888,297	$ 39,934,893
Charges for Services	518,962	518,962	603,297	-	-
Use of Money & Property	191,200	191,200	351,344	-	-
Sale of Property and Compensation for Loss	350,000	1,801,081	2,805,377	-	-
Miscellaneous	1,148,200	1,154,078	1,784,046	2,999,665	2,838,265
Revenues from State Sources	33,019,476	33,019,476	32,875,752	34,422,957	34,182,273
Revenues from Federal Sources	150,000	150,000	194,427	-	-
Total Revenues	$ 73,766,041	$ 75,223,000	$ 77,064,489	$ 77,310,919	$ 76,955,431
Other Sources:					
Interfund Transfers	500,162	632,614	640,951	595,000	-
Total Revenues and Other Sources	$ 74,266,203	$ 75,855,614	$ 77,705,440	$ 77,905,919	$ 76,955,431
EXPENDITURES					
General Support	$ 9,651,588	$ 9,270,298	$ 8,958,662	$ 9,990,200	$ 7,953,738
Instruction	39,345,376	37,779,070	37,226,050	40,467,291	44,777,565
Pupil Transportation	2,789,354	2,880,867	2,830,190	2,917,183	2,955,395
Community Services	-	-	-	-	-
Employee Benefits	21,447,528	24,778,386	24,687,740	21,138,959	21,691,176
Debt Service	2,738,839	2,833,689	2,833,689	4,131,744	4,780,528
Total Expenditures	$ 75,972,685	$ 77,542,310	$ 76,536,331	$ 78,645,377	$ 82,158,402
Other Uses:					
Interfund Transfers	1,251,885	1,880,040	1,880,040	1,260,542	1,285,000
Total Expenditures and Other Uses	$ 77,224,570	$ 79,422,350	$ 78,416,371	$ 79,905,919	$ 83,443,402
Excess (Deficit) Revenues Over Expenditures	(2,958,367)	(3,566,736)	(710,931)	(2,000,000)	(6,487,971)
FUND BALANCE					
Fund Balance - Beginning of Year	2,958,367	3,566,736	17,664,284	2,000,000	6,487,971
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 16,953,353	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2020	$ 2,505,000	$ 184,244	$ 2,689,244
2021	1,700,000	125,800	1,825,800
2022	1,720,000	89,900	1,809,900
2023	1,520,000	50,750	1,570,750
2024	1,285,000	15,550	1,300,550
TOTALS	$ 8,730,000	$ 466,244	$ 9,196,244

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
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	$ 835,000	$ 25,050	$ 860,050	$ 5,020,000	$ 244,800	$ 5,264,800	$ 675,000	$ 27,200	$ 702,200

Fiscal Year Ending June 30th	2018 Purchase of Buses			2019 Purchase of Buses		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 210,000	$ 36,000	$ 246,000	$ 250,000	$ 24,194	$ 274,194
2021	220,000	27,600	247,600	255,000	21,000	276,000
2022	230,000	18,800	248,800	260,000	15,900	275,900
2023	240,000	9,600	249,600	265,000	10,700	275,700
2024	-	-	-	270,000	5,400	
TOTALS	$ 900,000	$ 92,000	$ 992,000	$ 1,300,000	$ 77,194	$ 1,101,794

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the securities, 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 Notes

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

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

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

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

(o) incurrence of a "financial obligation" (as defined by the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect noteholders, if material; and

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

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

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

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

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 Notes; 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.

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 reserves the right to terminate its obligation to provide the aforedescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Notes 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 Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices 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 Notes nor entitle any holder of the Notes 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.

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

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HORSEHEADS CENTRAL SCHOOL DISTRICT
CHEMUNG COUNTY, NEW YORK

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2019

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

HORSEHEADS CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2019

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

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MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

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, 2019, 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.

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
Additional Offices: Elmira, NY • Canandaigua, NY • Hornell, NY

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 48– 52 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 16, 2019 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.

Rochester, New York
September 16, 2019

Raymond F. Wager, CPA, P.C.

Horseheads Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, 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 plus deferred inflows (what the district owes) exceeded its total assets plus deferred outflows (what the district owns) by ($106,980,365) (net position) a decrease of $102,117 from the prior year.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of $17,533,263, a decrease of $12,408,366 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 $76,923,537 or 94% of all revenues. Program specific revenues in the form of Charges for services and Operating Grants and Contributions accounted for $4,628,227 or 6% 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 plus deferred outflow of resources and liabilities plus deferred inflow of resources, 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 plus deferred outflow of resources and liabilities plus deferred inflow of resources, 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, 2019, than they were the year before, decreasing to ($106,980,365) as shown in table below.

	Governmental Activities		Total Variance
ASSETS:	**2019**	**2018**	
Current and Other Assets	$ 53,767,490	$ 52,558,236	$ 1,209,254
Capital Assets	67,605,627	54,878,121	12,727,506
Total Assets	**$ 121,373,117**	**$ 107,436,357**	**$ 13,936,760**
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources	**$ 21,806,568**	**$ 25,523,694**	**$ (3,717,126)**
LIABILITIES:			
Long-Term Debt Obligations	$ 200,711,624	$ 212,599,301	$ (11,887,677)
Other Liabilities	33,424,619	21,367,830	12,056,789
Total Liabilities	**$ 234,136,243**	**$ 233,967,131**	**$ 169,112**
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources	**$ 16,023,807**	**$ 5,871,169**	**$ 10,152,638**
NET POSITION:			
Net Investment in Capital Assets	$ 53,750,511	$ 45,349,229	$ 8,401,282
Restricted For,			
Debt Service Reserve	3,873,909	4,046,018	(172,109)
Reserve for ERS	3,948,080	4,526,168	(578,088)
Capital Reserve	5,030,543	5,018,993	11,550
Other Purposes	2,737,770	2,830,120	(92,350)
Unrestricted	(176,321,178)	(168,648,776)	(7,672,402)
Total Net Position	**$ (106,980,365)**	**$ (106,878,248)**	**$ (102,117)**

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.

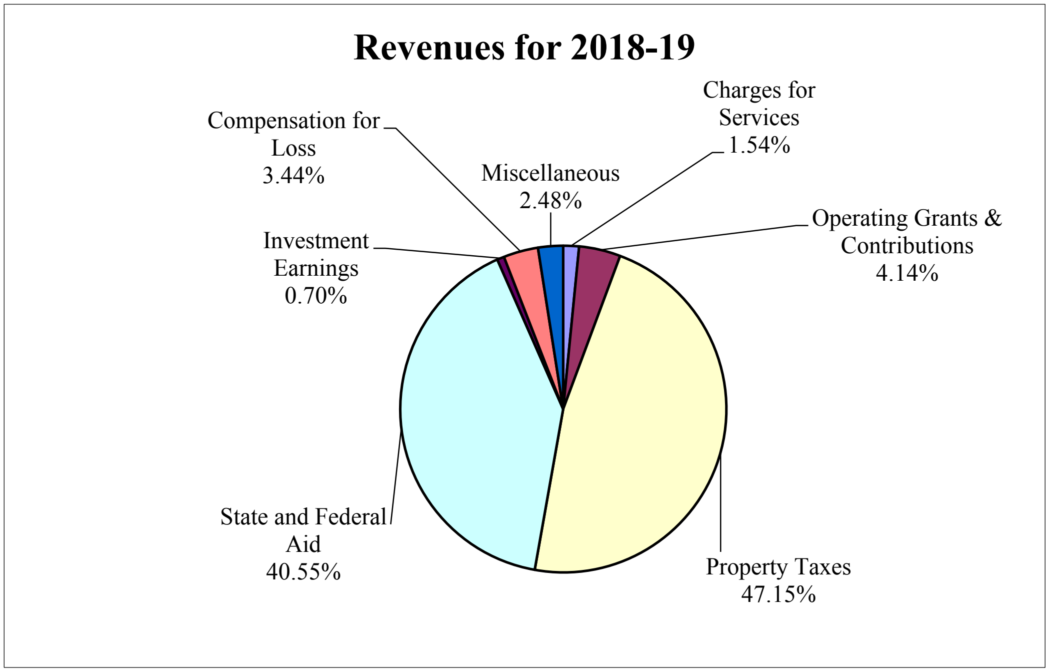
There are four restricted net asset balances, Capital Reserves, Debt Service, Reserve for ERS, and Other Purposes.

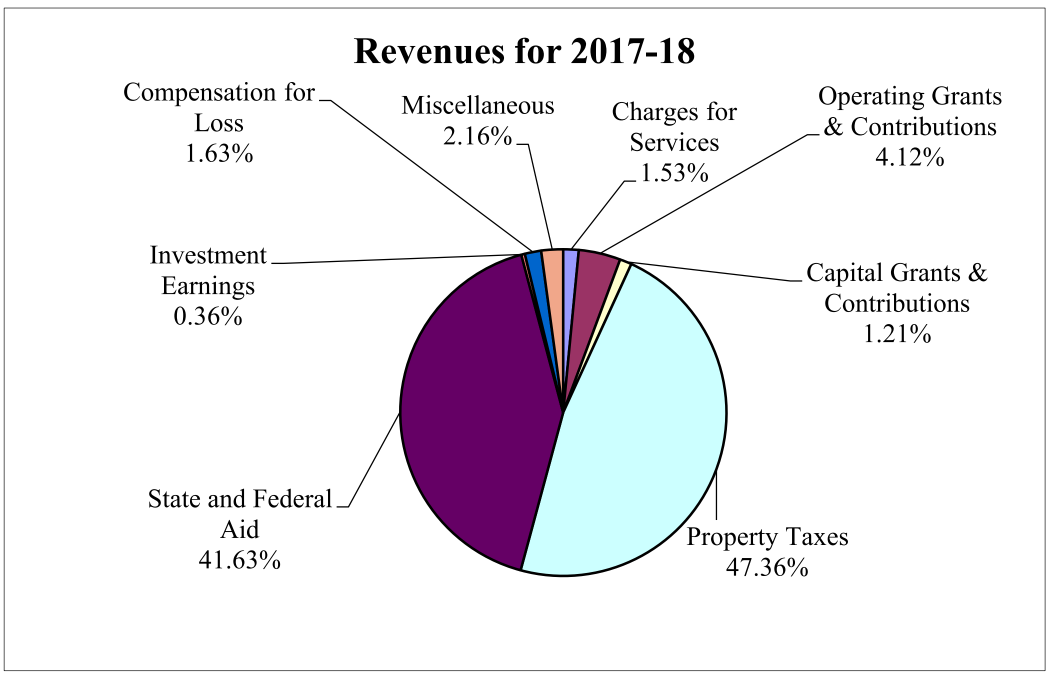
Changes in Net Asset

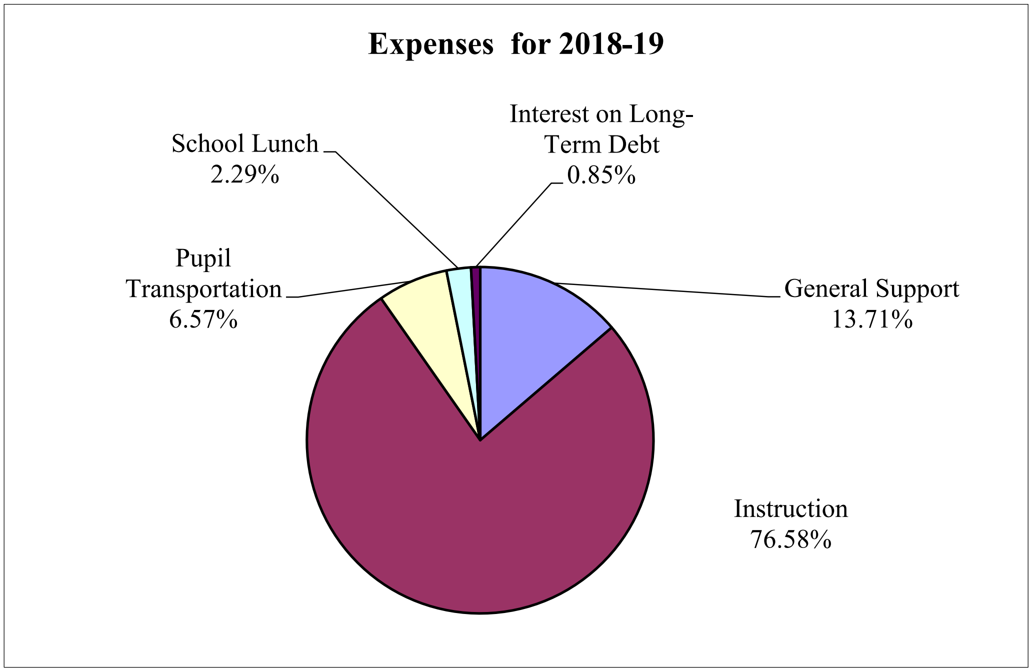
The District's total revenue increased 3% to $81,551,764. State and federal aid 41% and property taxes 47% accounted for most of the District's revenue. The remaining 12% of the revenue comes from operating grants, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

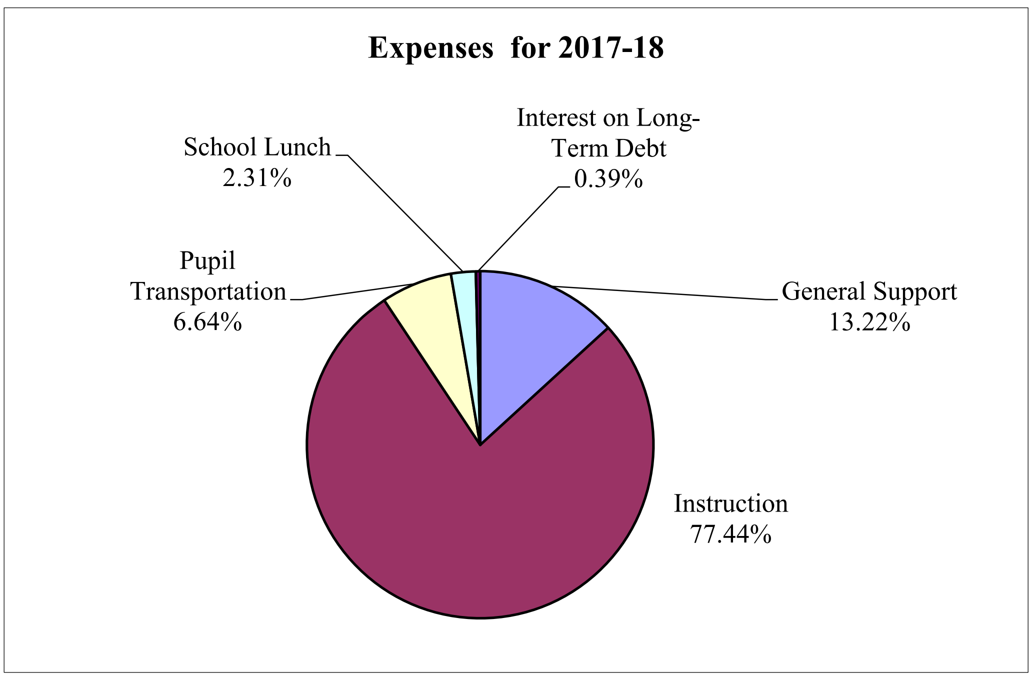
The total cost of all the programs and services decreased to $81,653,881. The District's expenses are predominately related to education and caring for the students 77%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 14% of the total costs. See table below:

	Governmental Activities		Total
	2019	**2018**	**Variance**
REVENUES:			
Program -			
Charges for Service	$ 1,252,700	$ 1,209,655	$ 43,045
Operating Grants & Contributions	3,375,527	3,257,454	118,073
Capital Grants & Contributions	-	952,992	(952,992)
Total Program	$ 4,628,227	$ 5,420,101	$ (791,874)
General -			
Property Taxes	$ 38,450,246	$ 37,421,025	$ 1,029,221
State and Federal Aid	33,070,179	32,892,879	177,300
Investment Earnings	567,295	283,331	283,964
Compensation for Loss	2,805,377	1,289,330	1,516,047
Miscellaneous	2,030,440	1,709,147	321,293
Total General	$ 76,923,537	$ 73,595,712	$ 3,327,825
TOTAL REVENUES	**$ 81,551,764**	**$ 79,015,813**	**$ 2,535,951**
EXPENSES:			
General Support	$ 11,198,797	$ 10,796,057	$ 402,740
Instruction	62,531,561	63,248,871	(717,310)
Pupil Transportation	5,360,586	5,423,488	(62,902)
School Lunch	1,872,119	1,889,879	(17,760)
Interest	690,818	320,398	370,420
TOTAL EXPENSES	**$ 81,653,881**	**$ 81,678,693**	**$ (24,812)**
INCREASE IN NET POSITION	**$ (102,117)**	**$ (2,662,880)**	
NET POSITION, BEGINNING OF YEAR	(106,878,248)	(104,215,368)	
NET POSITION, END OF YEAR	**$ (106,980,365)**	**$ (106,878,248)**	


Revenues for 2018-19
Compensation for Loss 3.44%
Miscellaneous 2.48%
Charges for Services 1.54%
Operating Grants & Contributions 4.14%
Investment Earnings 0.70%
State and Federal Aid 40.55%
Property Taxes 47.15%


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%


Expenses for 2018-19
Interest on Long-Term Debt 0.85%
School Lunch 2.29%
Pupil Transportation 6.57%
General Support 13.71%
Instruction 76.58%


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

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 $17,533,263 which is less than last year's ending fund balance of $29,941,629.

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 $16,953,353. Fund balance for the General Fund decreased by $710,931 compared with the prior year. See table below:

General Fund Balances:	2019	2018	Total Variance
Nonspendable	$ 4,728	$ -	$ 4,728
Restricted	11,716,393	12,375,281	(658,888)
Assigned	2,077,922	2,208,368	(130,446)
Unassigned	3,154,310	3,080,635	73,675
Total General Fund Balances	**$ 16,953,353**	**$ 17,664,284**	**$ (710,931)**

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was $2,406,146. This change is attributable to $208,367 of carryover encumbrances from the 2017-18 school year, $5,878 for donations, $132,452 for debt services, $10,917 for tax certiorari, $1,451,081 for self insurance recoveries, and $597,451 for a building purchase.

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

Revenue Items:	**Budget Variance Original Vs. Amended**	**Explanation for Budget Variance**
Sale of Property and Compensation for Loss	$1,451,081	The original budget was amended to reflect the accrual of one particularly large and extraordinary stop loss insurance payment that was received in August 2019 for an insurance claim that incurred during that 2018-19 fiscal year.
Expenditure Items:	**Budget Variance Original Vs. Amended**	**Explanation for Budget Variance**
Teaching-Regular School	($756,736)	Various positions initially budgeted but paid with grant funds; funds transferred to cover overage in health claims.
Programs for Children with Handicapping Conditions	($1,033,523)	Various positions initially budgeted but paid with grant funds; funds transferred to cover overage in health claims.
Transfers-Out	$628,155	The original budget was amended to reflect the transfer of funds to the capital fund for the purchase of a property approved by the District's voters in May 2019.

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Sale of Property and Compensation for Loss	$1,004,296	The District received more in stop loss insurance payments than initially budgeted. The District cannot anticipate the amount of claims exceeding the stop loss threshold, therefore it is not a consistent revenue stream.
Miscellaneous	$629,968	The District received higher than anticipated BOCES refund, Medicare Part D reimbursement, and other miscellaneous refunds.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2018-19 fiscal year, the District had invested $67,605,627 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:

	2019	2018
Land	$ 375,730	$ 375,730
Work in Progress	20,895,677	9,205,657
Buildings and Improvements	41,169,296	40,641,924
Machinery and Equipment	5,164,924	4,654,810
Total Capital Assets	**$ 67,605,627**	**$ 54,878,121**

More detailed information can be found in the notes to the financial statements.

Long-Term Debt

At year end, the District had $200,711,624 in general obligation bonds and other long-term debt as follows:

Type	2019	2018
Serial Bonds	$ 8,730,000	$ 9,620,000
OPEB	187,074,469	198,940,690
Net Pension Liability	1,519,539	695,069
Unamortized Bond Premiums	64,331	128,659
Compensated Absences	3,323,285	3,214,883
Total Long-Term Obligations	**$ 200,711,624**	**$ 212,599,301**

More detailed information can be found in the notes to the financial statements.

Factors Bearing on the District’s Future

Health claims for the 2018-19 fiscal year ended significantly higher than budgeted. In the coming years, claims will continue to be closely monitored, the budget will be adjusted to adapt to increasing trend, and the District will continue to explore options to ease the burden on the self-insured plan.

The District will continue to issue new borrowings as approved by the voters in October 2017 for the $94 million capital improvement project. The timing of the borrowings will be closely monitored against the timing of state aid to ensure minimal impact to the budget.

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
143 Hibbard Road
Horseheads, New York 14845

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2019

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	42,357,658
Accounts receivable		8,508,064
Inventories		122,910
Prepaid items		4,728
Net pension asset		2,774,130
Capital Assets:		
Land		375,730
Work in progress		20,895,675
Other capital assets (net of depreciation)		46,334,222
TOTAL ASSETS	**$**	**121,373,117**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	**$**	**21,806,568**
LIABILITIES		
Accounts payable	$	684,565
Accrued liabilities		2,547,898
Unearned revenues		55,888
Due to other governments		1,459
Due to teachers' retirement system		2,922,602
Due to employees' retirement system		212,207
Bond anticipation notes payable		27,000,000
Long-Term Obligations:		
Due in one year		2,654,719
Due in more than one year		198,056,905
TOTAL LIABILITIES	**$**	**234,136,243**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	**$**	**16,023,807**
NET POSITION		
Net investment in capital assets	$	53,750,511
Restricted For:		
Debt service		3,873,909
Reserve for employee retirement system		3,948,080
Capital reserves		5,030,543
Other purposes		2,737,770
Unrestricted		(176,321,178)
TOTAL NET POSITION	**$**	**(106,980,365)**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities

For Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government -				
General support	$ 11,198,797	$ -	$ -	$ (11,198,797)
Instruction	62,531,561	619,184	2,289,939	(59,622,438)
Pupil transportation	5,360,586	-	-	(5,360,586)
School lunch	1,872,119	633,516	1,085,588	(153,015)
Interest	690,818	-	-	(690,818)
Total Primary Government	**$ 81,653,881**	**$ 1,252,700**	**$ 3,375,527**	**$ (77,025,654)**
General Revenues:				
Property taxes				$ 38,450,246
State and federal aid				33,070,179
Investment earnings				567,295
Compensation for loss				2,805,377
Miscellaneous				2,030,440
Total General Revenues				**$ 76,923,537**
Changes in Net Position				$ (102,117)
Net Position, Beginning of Year				(106,878,248)
Net Position, End of Year				**$ (106,980,365)**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2019

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 17,054,360	$ 20,870,192	$ 4,433,106	$ 42,357,658
Receivables	4,821,695	2,690,464	995,905	8,508,064
Inventories	-	-	122,910	122,910
Due from other funds	1,023,387	-	48,683	1,072,070
Prepaid items	4,728	-	-	4,728
TOTAL ASSETS	**$ 22,904,170**	**$ 23,560,656**	**$ 5,600,604**	**$ 52,065,430**
LIABILITIES AND FUND BALANCES				
Liabilities -				
Accounts payable	$ 225,774	$ 442,119	$ 16,672	$ 684,565
Accrued liabilities	2,496,913	-	1,075	2,497,988
Notes payable - bond anticipation notes	-	27,000,000	-	27,000,000
Due to other funds	7,933	49,087	1,015,050	1,072,070
Due to other governments	-	-	1,459	1,459
Due to TRS	2,922,602	-	-	2,922,602
Due to ERS	212,207	-	-	212,207
Compensated absences	85,388	-	-	85,388
Unearned revenue	-	-	55,888	55,888
TOTAL LIABILITIES	**$ 5,950,817**	**$ 27,491,206**	**$ 1,090,144**	**$ 34,532,167**
Fund Balances -				
Nonspendable	$ 4,728	$ -	$ 122,910	$ 127,638
Restricted	11,716,393	1,240,118	3,873,909	16,830,420
Assigned	2,077,922	-	513,641	2,591,563
Unassigned	3,154,310	(5,170,668)	-	(2,016,358)
TOTAL FUND BALANCE	**$ 16,953,353**	**$ (3,930,550)**	**$ 4,510,460**	**$ 17,533,263**
TOTAL LIABILITIES AND FUND BALANCES	**$ 22,904,170**	**$ 23,560,656**	**$ 5,600,604**	

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.	67,605,627
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(49,910)
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	(8,730,000)
OPEB	(187,074,469)
Compensated absences	(3,237,897)
Unamortized bond premium	(64,331)
Net pension asset	2,774,130
Deferred outflow - gain/loss on refunding	109,883
Deferred outflow - pension	15,700,535
Deferred outflow - OPEB	5,996,150
Net pension liability	(1,519,539)
Deferred inflow - pension	(4,308,352)
Deferred inflow - OPEB	(11,715,455)
Net Position of Governmental Activities	**$ (106,980,365)**

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes and tax items	$ 38,450,246	$ -	$ -	$ 38,450,246
Charges for services	603,297	-	-	603,297
Use of money and property	351,344	-	215,951	567,295
Sale of property and compensation for loss	2,805,377	-	-	2,805,377
Miscellaneous	1,784,046	-	39,582	1,823,628
State sources	32,875,752	-	683,606	33,559,358
Federal sources	194,427	-	2,692,877	2,887,304
Sales	-	-	633,516	633,516
Premium on obligations issued	-	-	221,743	221,743
TOTAL REVENUES	**$ 77,064,489**	**$ -**	**$ 4,487,275**	**$ 81,551,764**
EXPENDITURES				
General support	$ 8,958,662	$ -	$ -	$ 8,958,662
Instruction	37,226,050	-	2,349,248	39,575,298
Pupil transportation	2,830,190	1,252,299	44,088	4,126,577
Employee benefits	24,687,740	-	278,789	24,966,529
Debt service - principal	2,190,000	-	-	2,190,000
Debt service - interest	643,689	-	-	643,689
Cost of sales	-	-	661,977	661,977
Other expenses	-	-	838,577	838,577
Capital outlay	-	13,298,821	-	13,298,821
TOTAL EXPENDITURES	**$ 76,536,331**	**$ 14,551,120**	**$ 4,172,679**	**$ 95,260,130**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 528,158	$ (14,551,120)	$ 314,596	$ (13,708,366)
OTHER FINANCING SOURCES (USES)				
Transfers - in	$ 640,951	$ 1,597,451	$ 310,600	$ 2,549,002
Transfers - out	(1,880,040)	(36,348)	(632,614)	(2,549,002)
Proceeds from obligations	-	1,300,000	-	1,300,000
TOTAL OTHER FINANCING SOURCES (USES)	**$ (1,239,089)**	**$ 2,861,103**	**$ (322,014)**	**$ 1,300,000**
NET CHANGE IN FUND BALANCE	**$ (710,931)**	**$ (11,690,017)**	**$ (7,418)**	**$ (12,408,366)**
FUND BALANCE, BEGINNING OF YEAR	17,664,284	7,759,467	4,517,878	29,941,629
FUND BALANCE, END OF YEAR	**$ 16,953,353**	**$ (3,930,550)**	**$ 4,510,460**	**$ 17,533,263**

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (12,408,366)
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 in excess depreciation in the current period:		
Capital Outlay	$ 13,279,134	
Additions to Assets, Net	1,484,669	
Depreciation	(2,036,297)	
		12,727,509
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	$ 2,190,000	
Proceeds from Bond Issuance	(1,300,000)	
Unamortized Bond Premium	64,328	
		954,328
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(1,576)
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.		(1,595,194)
(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		658,233
Employees' Retirement System		(184,506)
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		(142,661)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		**$ (102,117)**

(See accompanying notes to financial statements)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2019

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 33,726	$ 351,417
TOTAL ASSETS	**$ 33,726**	**$ 351,417**
LIABILITIES		
Accounts payable	$ -	$ 457
Extraclassroom activity balances	-	198,591
Other liabilities	-	152,369
TOTAL LIABILITIES	**$ -**	**$ 351,417**
NET POSITION		
Restricted for scholarships	$ 33,726	
TOTAL NET POSITION	**$ 33,726**	

Statement of Changes in Fiduciary Net Position

For Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	
Contributions	$ 557
Investment earnings	20
TOTAL ADDITIONS	**$ 577**
DEDUCTIONS	
Other expenses	$ 10,214
TOTAL DEDUCTIONS	**$ 10,214**
CHANGE IN NET POSITION	$ (9,637)
NET POSITION, BEGINNING OF YEAR	43,363
NET POSITION, END OF YEAR	**$ 33,726**

(See accompanying notes to financial statements)

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* and GASB Statement No. 61, *The Financial Reporting Entity*. 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.

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 $13,067,633 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $4,752,835.

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.

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.

(I.) (Continued)

The District-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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 13, 2018. 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 V 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.

(I.) (Continued)

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 acquisition 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
Building 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.

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. Short-Term Debt

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

R. 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.

S. 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	$ 140,872
Teacher Retirement Contribution	200,000
Tax Certiorari	936,204
Employee Benefit Accrued Liability	1,460,694
Total Net Position - Restricted for Other Purposes	**$ 2,737,770**

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:

	Total
Inventory in School Lunch	$ 122,910
Prepaid Items	4,728
Total Nonspendable Fund Balance	**$ 127,638**

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
2015 Capital Reserve	$ 15,000,000	$ 15,000,000	$ 5,030,543
2019 Capital Reserve	$ 10,000,000	$ -	$ -

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.

(I.) (Continued)

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.

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.

Teachers' Retirement Reserve – General Municipal Law §6r was amended to include a Teachers' Retirement Reserve (TRS) sub-fund. The reserve has an annual funding limit of 2% of the prior year TRS salaries and a maximum cumulative total balance of 10% of the previous years TRS salary.

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.

(I.) (Continued)

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:

	Total
General Fund -	
Unemployment Costs	$ 140,872
Employee Retirement Contribution	3,948,080
Teacher Retirement Contribution	200,000
Tax Certiorari	936,204
Capital Reserve	5,030,543
Employee Benefit Accrued Liability	1,460,694
Capital Fund -	
Capital Projects	1,240,118
Debt Service Fund -	
Det Service	3,873,909
Total Restricted Fund Balance	**$ 16,830,420**

The District has appropriated the following reserves to support the 2019-20 budget:

	Total
Unemployment Costs	$ 7,000
Employee Retirement Contribution	438,000
Employee Benefit Accrued Liability	150,000
Total	**$ 595,000**

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, 2019.

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.

(I.) (Continued)

Management has determined significant encumbrances for the General Fund to be $398,500, and the Capital Projects Fund to be $97,000. The District reports the following significant encumbrances:

Capital Projects Fund -	
Capital Improvements	**$ 4,844,649**

Assigned fund balances include the following:

	Total
General Fund - Encumbrances	$ 77,922
General Fund - Appropriated for Taxes	2,000,000
Misc. Special Revenue Fund - Year End Equity	102,543
School Lunch Fund - Year End Equity	411,098
Total Assigned Fund Balance	**$ 2,591,563**

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.

T. New Accounting Standards

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

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 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after June 15, 2018.

U. Future Changes in Accounting Standards

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 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.

GASB has issued Statement No. 90, *Majority equity Interests – an amendment of GASB statements No. 14 and No. 61,* which will be effective for reporting periods beginning after December 15, 2018.

GASB has issued statement No. 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2020.

III. 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 2018-19 fiscal year, the budget was increased by $597,451 for a purchase of an office building, $132,452 for a transfer from Debt Service, $10,917 for a tax certiorari payment, $1,451,081 for self-insurance recoveries, $5,878 for donations, and $208,368 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.

C. Deficit Fund Balance – Capital Projects Fund

The Capital Projects Fund had a deficit unassigned fund balance of $5,170,668 at June 30, 2019, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

D. Deficit Net Position

The District-wide net position had a deficit at June 30, 2019 of $106,980,365. The deficit is the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of $187,074,469 at June 30, 2019. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

III. Cash and Cash Equivalents

Credit risk: In compliance with the State Law, District investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the Unites States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations issued by other municipalities and authorities within the State.

Concentration of Credit risk: To promote competition in rates and service cost, and to limit the risk of institutional failure, District deposits and investments are placed with multiple institutions. The District's investment policy limits the amounts that may be deposited with any one financial institution.

Interest rate risk: The District has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

(III.) (Continued)

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	43,133,877
Total	**$ 43,133,877**

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 $16,830,420 within the governmental funds and $33,726 in the fiduciary funds.

IV. Receivables

Receivables at June 30, 2019 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				
Description	**General Fund**	**Capital Projects Fund**	**School Lunch Fund**	**Special Aid Fund**	**Total**
Accounts Receivable (1)	$ 1,531,633	$ -	$ 6,766	$ -	$ 1,538,399
Due From State and Federal	3,188,634	2,690,464	73,477	915,662	6,868,237
Due From Other Governments	101,428	-	-	-	101,428
Total Receivables	**$ 4,821,695**	**$ 2,690,464**	**$ 80,243**	**$ 915,662**	**$ 8,508,064**

District management has deemed the amounts to be fully collectible.

(1) Included in accounts receivable is $1,451,538 insurance recovery.

V. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2019 were as follows:

	Interfund			
	Receivables	**Payables**	**Revenues**	**Expenditures**
General Fund	$ 1,023,387	$ 7,933	$ 640,951	$ 1,880,040
Special Aid Fund	-	882,260	101,762	-
School Lunch Fund	6,014	-	180,827	-
Misc. Special Revenue Fund	1,919	338	-	-
Debt Service Fund	40,750	132,452	28,011	632,614
Capital Projects Fund	-	49,087	1,597,451	36,348
Total	**$ 1,072,070**	**$ 1,072,070**	**$ 2,549,002**	**$ 2,549,002**

(V.) (Continued)

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.

VI. Capital Assets

Capital asset balances and activity were as follows:

Type	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Governmental Activities:				
Capital Assets that are not Depreciated -				
Land	$ 375,730	$ -	$ -	$ 375,730
Work in progress	9,205,657	13,298,824	1,608,804	20,895,677
Total Nondepreciable	$ 9,581,387	$ 13,298,824	$ 1,608,804	$ 21,271,407
Capital Assets that are Depreciated -				
Buildings and Improvements	$ 68,500,445	$ 1,589,114	$ -	$ 70,089,559
Machinery and equipment	12,087,479	1,484,669	793,885	12,778,263
Total Depreciated Assets	$ 80,587,924	$ 3,073,783	$ 793,885	$ 82,867,822
Less Accumulated Depreciation -				
Buildings and Improvements	$ 27,858,521	$ 1,061,742	$ -	$ 28,920,263
Machinery and equipment	7,432,669	974,555	793,885	7,613,339
Total Accumulated Depreciation	$ 35,291,190	$ 2,036,297	$ 793,885	$ 36,533,602
Total Capital Assets Depreciated, Net of Accumulated Depreciation	$ 45,296,734	$ 1,037,486	$ -	$ 46,334,220
Total Capital Assets	**$ 54,878,121**	**$ 14,336,310**	**$ 1,608,804**	**$ 67,605,627**

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

Governmental Activities:	
General Government Support	$ 83,885
Instruction	980,308
Pupil Transportation	902,584
School Lunch	69,520
Total Depreciation Expense	**$ 2,036,297**

VII. Short-Term Debt

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

	Maturity	Interest Rate	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
BAN	6/26/2019	2.75%	$ 15,000,000	$ -	$ 15,000,000	$ -
BAN	6/25/2020	2.25%	-	27,000,000	-	27,000,000
Total Short-Term Debt			**$ 15,000,000**	**$ 27,000,000**	**$ 15,000,000**	**$ 27,000,000**

A summary of the short-term interest expense for the year is as follows:

Interest Paid	$ 412,500
Less: Interest Accrued in the Prior Year	(4,583)
Plus: Interest Accrued in the Current Year	8,438
Total Short-Term Interest Expense	**$ 416,355**

VIII. Long-Term Debt Obligations

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

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable -					
Serial Bonds	$ 9,620,000	$ 1,300,000	$ 2,190,000	$ 8,730,000	$ 2,505,000
Unamortized Bond Premium	128,659	-	64,328	64,331	64,331
Total Bonds and Notes Payable	$ 9,748,659	$ 1,300,000	$ 2,254,328	$ 8,794,331	$ 2,569,331
Other Liabilities -					
Net Pension Liability	$ 695,069	$ 824,470		$ 1,519,539	$ -
OPEB	198,940,690	-	11,866,221	187,074,469	-
Compensated Absences	3,214,883	108,402	-	3,323,285	85,388
Total Other Liabilities	$ 202,850,642	$ 932,872	$ 11,866,221	$ 191,917,293	$ 85,388
Total Long-Term Obligations	**$ 212,599,301**	**$ 2,232,872**	**$ 14,120,549**	**$ 200,711,624**	**$ 2,654,719**

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

(VIII.) (Continued)

Existing serial and statutory bond obligations:

Description	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding 6/30/2019
Capital Improvement	$ 9,830,000	2011	2020	2.0%-5.0%	$ 835,000
Capital Improvement	$ 6,225,000	2016	2024	1.5%-2.0%	5,020,000
Bus Purchase	$ 1,100,000	2017	2022	2.00%	675,000
Bus Purchase	$ 1,100,000	2018	2023	4.00%	900,000
Bus Purchase	$ 1,300,000	2019	2024	2.00%	1,300,000
Total Serial Bonds					$ 8,730,000
Unamortized Bond Premium					64,331
Total Serial Bonds, Net					**$ 8,794,331**

The following is a summary of debt service requirements:

	Serial Bonds	
Year	**Principal**	**Interest**
2020	$ 2,505,000	$ 184,244
2021	1,700,000	125,800
2022	1,720,000	89,900
2023	1,520,000	50,750
2024	1,285,000	15,550
Total	**$ 8,730,000**	**$ 466,244**

Interest on long-term debt for June 30, 2019 was composed of:

Interest paid	$ 231,189
Plus: deferred bond refunding being amortized	109,883
Less: bond premium being amortized prior year	(64,331)
Plus: Interest Accrued in the Current Year	41,472
Less: Interest Accrued in the Prior Year	(43,750)
Total Long-Term Interest Expense	**$ 274,463**

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. $$6,015,000 of bonds outstanding are considered defeased.

IX. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	Deferred Outflows	Deferred Inflows
Pension	$ 15,700,535	$ 4,308,352
Bonds	109,883	-
OPEB	5,996,150	11,715,455
Total	**$ 21,806,568**	**$ 16,023,807**

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, 2019:

Contributions	ERS	TRS
2019	$ 887,140	$ 2,922,602

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

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

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Net pension assets/(liability)	$ (1,519,539)	$ 2,774,130
District's portion of the Plan's total net pension asset/(liability)	0.0214%	0.1534%

For the year ended June 30, 2019, the District recognized pension expenses of $1,062,134 for ERS and $2,094,675 for TRS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expended and actual experience	$ 299,229	$ 2,073,085	$ 102,004	$ 375,516
Changes of assumptions	381,950	9,697,403	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	389,998	3,079,495
Changes in proportion and differences between the District's contributions and proportionate share of contributions	130,852	154,335	5,177	356,161
Subtotal	$ 812,031	$ 11,924,823	$ 497,179	$ 3,811,172
District's contributions subsequent to the measurement date	212,207	2,751,475	-	-
Grand Total	**$ 1,024,238**	**$ 14,676,298**	**$ 497,179**	**$ 3,811,172**

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, 2019. 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
2019	$ -	$ 2,722,286
2020	359,673	1,829,550
2021	(254,819)	140,778
2022	(3,257)	1,823,015
2023	213,255	1,278,510
Thereafter	-	319,512
Total	**$ 314,852**	**$ 8,113,651**

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:

(X.) (Continued)

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	4.72%-1.90%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%
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, 2019	June 30, 2018
Asset Type -		
Domestic equity	4.55%	5.80%
International equity	6.35%	7.30%
Global equity	0.00%	6.70%
Private equity	7.50%	8.90%
Real estate	5.55%	4.90%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	0.00%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Private debt	0.00%	6.80%
Real estate debt	0.00%	2.80%
High-yield fixed income securities	0.00%	3.50%
Domestic fixed income securities	0.00%	1.30%
Global fixed income securities	0.00%	0.90%
Short-term	0.00%	0.30%

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.3% for TRS

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

F. <u>Discount Rate</u>

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. <u>Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption</u>

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)	$ (6,643,666)	$ (1,519,539)	$ 2,785,091

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	$(19,058,723)	$ 2,774,130	$ 21,063,992

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, 2019	June 30, 2018
Employers' total pension liability	$ 189,803	$ 118,107,253
Plan net position	182,718	119,915,517
Employers' net pension asset/(liability)	$ (7,085)	$ 1,808,264
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to $212,207.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to $2,922,602.

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	482
Active Employees	534
Total	**1,016**

B. Total OPEB Liability

The District's total OPEB liability of $187,074,469 was measured as of March 31, 2019, and was determined by an actuarial valuation as of that date.

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

Acturial Method	Entry Age Normal
Inflation	2.25 percent
Salary Increases	3.00 percent, average, including inflation
Discount Rate	3.42 percent
Healthcare Cost Trend Rates	7.0 percent for pre-65 medical, decreasing down to 3.784 percent in 2075 and 5.0 percent for post65 Medical decreasing down to 3.784 percent in 2075
Retirees' Share of Benefit-Related Costs	20 percent of projected health insurance premiums for retirees

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-2018 mortality improvement scale on a fully generational basis.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	$ 198,940,690
Changes for the Year -	
Service cost	$ 6,407,554
Interest	7,314,744
Changes of benefit terms	(6,492,332)
Changes in assumptions or other inputs	(13,648,698)
Benefit payments	(5,447,489)
Net Changes	$ (11,866,221)
Balance at June 30, 2019	**$ 187,074,469**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.61percent in 2018 to 3.42 percent in 2019.

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 (2.42 percent) or 1-percentage-point higher (4.42 percent) than the current discount rate:

	1% Decrease (2.42%)	Discount Rate (3.42%)	1% Increase (4.42%)
Total OPEB Liability	$ 220,469,650	$ 187,074,469	$ 160,468,008

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	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 153,848,118	$ 187,074,469	$ 233,521,681

D. <u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

For the year ended June 30, 2019, the District recognized OPEB expense of $5,754,937. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,625,932	$ 11,715,455
Contributions after measurement date	1,370,218	-
Total	**$ 5,996,150**	**$ 11,715,455**

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	$ (104,811)
2020	(1,019,027)
2021	(1,019,027)
2022	(1,019,027)
2023	(1,019,027)
2024	(1,019,027)
Thereafter	(1,889,577)
Total	**$ (7,089,523)**

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 2018-19 fiscal year totaled $2,543. The balance of the fund at June 30, 2019 was $140,872 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019, 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, 2019.

A reconciliation of the claims recorded for 2019 and 2018 are as follows:

	2019	2018
Beginning Liabilities	$ 687,700	$ 836,698
Incurred Claims	17,018,920	15,317,974
Claims Payments	(15,267,519)	(15,466,972)
Ending Liabilities	**$ 2,439,101**	**$ 687,700**

In 2019 there was a large claim included in the liability and a corresponding insurance recovery was recorded in accounts receivable.

The following statistical information is presented:

Year	Contribution Revenue	Incurred Claim Expense
2019	$ 15,627,519	$ 17,018,920
2018	$ 15,466,972	$ 15,317,974
2017	$ 14,202,139	$ 14,137,513
2016	$ 9,592,973	$ 9,543,752

(XII.) **(Continued)**

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.

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 2018-19 fiscal year totaled $75,600.

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 $2,548,355. The District received payment in lieu of tax (PILOT) payment totaling $998,491 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, 2019

TOTAL OPEB LIABILITY

		2019		2018
Service cost	$	6,407,554	$	5,874,094
Interest		7,314,744		7,151,481
Changes in benefit terms		(6,492,332)		(332,508)
Changes of assumptions or other inputs		(13,648,698)		6,454,364
Benefit payments		(5,447,489)		(5,059,041)
Net Change in Total OPEB Liability	**$**	**(11,866,221)**	**$**	**14,088,390**
Total OPEB Liability - Beginning	**$**	**198,940,690**	**$**	**184,852,300**
Total OPEB Liability - Ending	**$**	**187,074,469**	**$**	**198,940,690**
Covered Employee Payroll	$	33,930,680	$	32,912,432
Total OPEB Liability as a Percentage of Covered Employee Payroll		551.34%		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, 2019

NYSERS Pension Plan

	2019	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.0214%	0.0215%	0.0212%	0.0203%	0.0205%
Proportionate share of the net pension liability (assets)	$ 1,519,539	$ 695,069	$ 1,989,479	$ 3,254,449	$ 692,909
Covered-employee payroll	$ 6,214,694	$ 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	24.451%	11.214%	33.654%	60.220%	11.979%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015
Proportion of the net pension liability (assets)	0.1534%	0.1549%	0.1539%	0.1462%	0.1496%
Proportionate share of the net pension liability (assets)	$ (2,774,130)	$ (1,177,467)	$ 1,647,922	$ (15,190,299)	$ (16,593,570)
Covered-employee payroll	$ 25,908,427	$ 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	-10.707%	-4.710%	6.714%	-63.967%	-75.537%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	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, 2019

NYSERS Pension Plan

	2019	2018	2017	2016	2015
Contractually required contributions	$ 887,208	$ 912,617	$ 894,861	$ 888,249	$ 1,112,593
Contributions in relation to the contractually required contribution	(887,208)	(912,617)	(894,861)	(888,249)	(1,112,593)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 6,214,694	$ 6,198,285	$ 5,911,576	$ 5,404,301	$ 5,784,364
Contributions as a percentage of covered-employee payroll	14.28%	14.72%	15.14%	16.44%	19.23%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015
Contractually required contributions	$ 2,448,963	$ 2,610,358	$ 3,040,542	$ 3,281,163	$ 3,974,360
Contributions in relation to the contractually required contribution	(2,448,963)	(2,610,358)	(3,040,542)	(3,281,163)	(3,974,360)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 26,386,233	$ 24,999,629	$ 24,542,853	$ 23,747,221	$ 21,967,468
Contributions as a percentage of covered-employee payroll	9.28%	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, 2019

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Revised Budget
REVENUES				
Local Sources -				
Real property taxes	$ 32,374,963	$ 32,374,963	$ 32,596,304	$ 221,341
Real property tax items	6,013,240	6,013,240	5,853,942	(159,298)
Charges for services	518,962	518,962	603,297	84,335
Use of money and property	191,200	191,200	351,344	160,144
Sale of property and compensation for loss	350,000	1,801,081	2,805,377	1,004,296
Miscellaneous	1,148,200	1,154,078	1,784,046	629,968
State Sources -				
Basic formula	22,782,309	22,782,309	22,278,348	(503,961)
Lottery aid	5,000,000	5,000,000	5,320,905	320,905
BOCES	4,566,201	4,566,201	4,752,835	186,634
Textbooks	250,475	250,475	249,543	(932)
All Other Aid -				
Computer software	142,378	142,378	140,576	(1,802)
Library loan	28,113	28,113	27,622	(491)
Handicapped students	250,000	250,000	71,669	(178,331)
Other aid	-	-	34,254	34,254
Federal Sources	150,000	150,000	194,427	44,427
TOTAL REVENUES	$ 73,766,041	$ 75,223,000	$ 77,064,489	$ 1,841,489
Other Sources -				
Transfer - in	$ 500,162	$ 632,614	$ 640,951	$ 8,337
TOTAL REVENUES AND OTHER SOURCES	$ 74,266,203	$ 75,855,614	$ 77,705,440	$ 1,849,826
Appropriated reserves	$ 750,000	$ 760,917		
Appropriated fund balance	$ 2,000,000	$ 2,597,452		
Prior year encumbrances	$ 208,367	$ 208,367		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	**$ 77,224,570**	**$ 79,422,350**		

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, 2019

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General Support -					
Board of education	$ 27,582	$ 24,673	$ 18,146	$ -	$ 6,527
Central administration	288,485	283,908	277,640	1,570	4,698
Finance	1,119,261	1,099,593	1,084,568	443	14,582
Staff	637,604	653,415	646,569	373	6,473
Central services	5,777,337	5,406,097	5,129,277	55,083	221,737
Special items	1,801,319	1,802,612	1,802,462	-	150
Instructional -					
Instruction, administration and improvement	3,169,584	3,211,467	3,134,025	1,284	76,158
Teaching - regular school	20,158,732	19,401,996	19,165,228	9,028	227,740
Programs for children with handicapping conditions	8,427,548	7,394,025	7,272,860	-	121,165
Occupational education	2,967,357	2,980,543	2,968,672	-	11,871
Teaching - special schools	3,000	3,000	976	-	2,024
Instructional media	1,364,766	1,512,057	1,479,099	-	32,958
Pupil services	3,254,389	3,275,982	3,205,190	7,440	63,352
Pupil Transportation	2,789,354	2,880,867	2,830,190	2,701	47,976
Employee Benefits	21,447,528	24,778,386	24,687,740	-	90,646
Debt service - principal	2,425,000	2,190,000	2,190,000	-	-
Debt service - interest	313,839	643,689	643,689	-	-
TOTAL EXPENDITURES	$ 75,972,685	$ 77,542,310	$ 76,536,331	$ 77,922	$ 928,057
Other Uses -					
Transfers - out	$ 1,251,885	$ 1,880,040	$ 1,880,040	$ -	$ -
TOTAL EXPENDITURES AND OTHER USES	$ 77,224,570	$ 79,422,350	$ 78,416,371	$ 77,922	$ 928,057
NET CHANGE IN FUND BALANCE	**$ -**	**$ -**	**$ (710,931)**		
FUND BALANCE, BEGINNING OF YEAR	17,664,284	17,664,284	17,664,284		
FUND BALANCE, END OF YEAR	**$ 17,664,284**	**$ 17,664,284**	**$ 16,953,353**		

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, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	$	77,016,203
Prior year's encumbrances		208,367
Original Budget	$	77,224,570
Budget revisions -		
Donations		5,878
Debt Service		132,452
Tax Certiorari		10,917
Self Insurance Recoveries		1,451,081
Building Purchase		597,451
FINAL BUDGET	**$**	**79,422,349**

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2019-20 voter approved expenditure budget			$	79,905,919
Unrestricted fund balance:				
Assigned fund balance	$	2,077,922		
Unassigned fund balance		3,154,310		
Total Unrestricted fund balance	$	5,232,232		
Less adjustments:				
Appropriated fund balance	$	2,000,000		
Encumbrances included in assigned fund balance		77,922		
Total adjustments	$	2,077,922		
General fund fund balance subject to Section 1318 of Real Property Tax Law				3,154,310
ACTUAL PERCENTAGE				**3.95%**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND

Schedule of Project Expenditures

For Year Ended June 30, 2019

			Expenditures				Methods of Financing				
Project Title	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Obligations	Local Sources	Transfers	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
2017-18 capital project	94,685,637	94,685,637	3,072,015	12,098,653	15,170,668	79,514,969	-	10,000,000	-	10,000,000	(5,170,668)
2017-18 roof project	1,000,000	1,000,000	447,737	552,263	1,000,000	-	-	1,000,000	-	1,000,000	-
2018-19 Bus Purchase	1,300,000	1,300,000	-	1,300,000	1,300,000	-	1,300,000	-	-	1,300,000	-
2018-19 Center Street Elementary	1,000,000	1,000,000	-	39,104	39,104	960,896	-	1,000,000	-	1,000,000	960,896
2019-20 Building Purchase	595,000	595,000	-	597,451	597,451	(2,451)	-	597,451	-	597,451	-
TOTAL	**$ 99,880,637**	**$ 99,880,637**	**$ 4,813,452**	**$ 14,587,471**	**$ 19,400,923**	**$ 80,479,714**	**$ 1,300,000**	**$ 13,897,451**	**$ 272,919**	**$ 15,470,370**	**$ (3,930,553)**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2019

	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	$ 3,161	$ 363,372	$ 100,962	$ 3,965,611	$ 4,433,106
Receivables	915,662	80,243	-	-	995,905
Inventories	-	122,910	-	-	122,910
Due from other funds	-	6,014	1,919	40,750	48,683
TOTAL ASSETS	**$ 918,823**	**$ 572,539**	**$ 102,881**	**$ 4,006,361**	**$ 5,600,604**
LIABILITIES AND FUND BALANCES					
Liabilities -					
Accounts payable	$ 13,420	$ 3,252	$ -	$ -	$ 16,672
Accrued liabilities	-	1,075	-	-	1,075
Due to other funds	882,260	-	338	132,452	1,015,050
Due to other governments	535	924	-	-	1,459
Unearned revenue	22,608	33,280	-	-	55,888
TOTAL LIABILITIES	**$ 918,823**	**$ 38,531**	**$ 338**	**$ 132,452**	**$ 1,090,144**
Fund Balances -					
Nonspendable	$ -	$ 122,910	$ -	$ -	$ 122,910
Restricted	-	-	-	3,873,909	3,873,909
Assigned	-	411,098	102,543	-	513,641
TOTAL FUND BALANCE	**$ -**	**$ 534,008**	**$ 102,543**	**$ 3,873,909**	**$ 4,510,460**
TOTAL LIABILITIES AND FUND BALANCES	**$ 918,823**	**$ 572,539**	**$ 102,881**	**$ 4,006,361**	**$ 5,600,604**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For Year Ended June 30, 2019

	Special Revenue Fund				
	Special Aid Fund	School Lunch Fund	Miscellaneous Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES					
Use of money and property	$ -	$ 4,639	$ 561	$ 210,751	$ 215,951
Miscellaneous	14,931	8,029	16,622	-	39,582
State sources	648,070	35,536	-	-	683,606
Federal sources	1,642,825	1,050,052	-	-	2,692,877
Sales	-	633,516	-	-	633,516
Premium on obligations issued	-	-	-	221,743	221,743
TOTAL REVENUES	**$ 2,305,826**	**$ 1,731,772**	**$ 17,183**	**$ 432,494**	**$ 4,487,275**
EXPENDITURES					
Instruction	$ 2,349,248	$ -	$ -	$ -	$ 2,349,248
Pupil transportation	44,088	-	-	-	44,088
Employee benefits	14,252	264,537	-	-	278,789
Cost of sales	-	661,977	-	-	661,977
Other expenses	-	838,577	-	-	838,577
TOTAL EXPENDITURES	**$ 2,407,588**	**$ 1,765,091**	**$ -**	**$ -**	**$ 4,172,679**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (101,762)	$ (33,319)	$ 17,183	$ 432,494	$ 314,596
OTHER FINANCING SOURCES (USES)					
Transfers - in	$ 101,762	$ 180,827	$ -	$ 28,011	$ 310,600
Transfers - out	-	-	-	(632,614)	(632,614)
TOTAL OTHER FINANCING SOURCES (USES)	**$ 101,762**	**$ 180,827**	**$ -**	**$ (604,603)**	**$ (322,014)**
NET CHANGE IN FUND BALANCE	**$ -**	**$ 147,508**	**$ 17,183**	**$ (172,109)**	**$ (7,418)**
FUND BALANCE, BEGINNING OF YEAR	-	386,500	85,360	4,046,018	4,517,878
FUND BALANCE, END OF YEAR	**$ -**	**$ 534,008**	**$ 102,543**	**$ 3,873,909**	**$ 4,510,460**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Net Investment in Capital Assets

For Year Ended June 30, 2019

Capital assets, net			$	67,605,627
Add:				
Unamortized bond discount	$	109,883		
				109,883
Deduct:				
Bonds payable	$	8,730,000		
Assets purchased with short-term financing		5,170,668		
Unamortized bond premium		64,331		
				13,964,999
Net Investment in Capital Assets			**$**	**53,750,511**

Supplementary Information

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2019

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	0032-19-0121	$ 1,032,508
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-19-0121	21,334
Total Special Education Cluster IDEA				$ 1,053,842
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-18-0415	5,262
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-19-0415	83,760
Title IV - Student Support and Academic Enrichment Grants	84.424	N/A	0204-19-0415	7,595
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-19-0415	492,366
Total U.S. Department of Education				**$ 1,642,825**
U.S. Department of Agriculture:				
Indirect Programs:				
Passed Through NYS Education Department -				
Child Nutrition Cluster -				
National School Lunch Program	10.555	N/A	D039	$ 715,937
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	D039	138,441
National School Breakfast Program	10.553	N/A	D039	195,674
Total Child Nutrition Cluster				$ 1,050,052
Total U.S. Department of Agriculture				**$ 1,050,052**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 2,692,877**

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, 2019, 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 16, 2019.

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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Additional Offices: Elmira, NY • Canandaigua, NY • Hornell, NY

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, P.C.

Rochester, New York
September 16, 2019