PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, assuming continuing compliance by the District with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Code. 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 "TAX MATTERS" herein for a discussion of certain Federal taxes applicable to corporate owners of the Notes.

The District will designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

$5,500,000

GENERAL BROWN CENTRAL SCHOOL DISTRICT

JEFFERSON COUNTY, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE #: 369262

$5,500,000 Bond Anticipation Notes, 2019

(referred to herein as the "Notes")

Dated: July 10, 2019 **Due: June 26, 2020**

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

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued as registered notes registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser(s), principal of and interest on the Notes will be payable in Federal Funds at maturity at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued as registered in the name of the purchaser in denominations of $5,000 or multiples thereof, as may be determined by such successful bidder(s).

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

The Notes are offered when, as and if issued and received by the purchasers and subject to the receipt of an unqualified legal opinion as to the validity of the Notes of Bond, Schoeneck & King, PLLC, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as agreed upon with the purchaser(s), on or about July 10, 2019.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on June 13, 2019 until 10:15 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or 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.

May 31, 2019

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

GENERAL BROWN CENTRAL SCHOOL DISTRICT
JEFFERSON COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

DR. SANDRA KLINDT
President

NATALIE HURLEY
Vice President

DANIEL DUPEE II
AL ROMANO, JR.
JAMIE LEE
BRIEN SPOONER
KELLY MILKOWICH

* * * * * * * * *

BARBARA J. CASE
Superintendent of Schools

LISA K. SMITH
Assistant Superintendent

DEBRA BENNETT
District Clerk

FERRARA FIORENZA PC
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

BOND SCHOENECK & KING
Bond Counsel

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
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OFFICIAL STATEMENT

of the

GENERAL BROWN CENTRAL SCHOOL DISTRICT
JEFFERSON COUNTY, NEW YORK

Relating To

$5,500,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the General Brown Central School District, Jefferson County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of $5,500,000 principal amount of Bond Anticipation Notes, 2019 (referred to herein as 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.

THE NOTES

Description of the Notes

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

The Notes are dated July 10, 2019 and mature, without option of prior redemption, on June 26, 2020. The Notes will be issued either as (i) registered in the name of the purchaser(s), in denominations of $5,000 each or multiples thereof, with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution of the District dated March 6, 2017 authorizing the issuance of $7,900,000 obligations of the District to pay the cost of the renovation and reconstruction of District buildings.

The proceeds of the Notes will renew $5,000,000 bond anticipation notes maturing July 11, 2019, and will provide $500,000 in new monies for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

If this option is chosen, the Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. 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 bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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"). DTC has Standard & Poor's highest rating: AAA. 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.

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 Securities 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.

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 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 or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to 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 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.

THE DISTRICT CANNOT AND DO 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 THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The District, established in 1956, lies in the Towns of Brownville, Pamelia, Hounsfield, Watertown and Lyme, the City of Watertown and the Villages of Brownville and Dexter. The District is approximately 70 miles north of Syracuse and 30 miles south of the Canadian border and the Thousand Islands.

The District is served by an excellent network of State highways. Bus service is available in the City of Watertown. Air transportation is available at the Watertown and Syracuse Airports.

Water and sewer services are provided in part by the Towns and Villages, as well as by private wells and septic systems. Electricity is provided by National Grid; telephone service by Verizon New York Inc. Police protection is provided by the Villages and supplemented by the County Sherriff's Department and the New York State Police. Fire protection and Ambulance services are provided by various volunteer organizations.

The District provides public education for grades K-12. Opportunities for higher education are provided by the many colleges and universities in and around the northern and central New York area.

District residents find all the usual commercial and banking services within the District. Recreational and cultural opportunities are readily available in the City of Watertown and the nearby Thousand Islands area of New York State and Canada.

Source: District officials.

Population

The current population of the District is estimated to be 8,759. (Source: 2017 U.S. Census estimate.)

Selected Wealth and Income Indicators

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

	Per Capita Income			Median Family Income		
	2000	2006-2010	2013-2017	2000	2006-2010	2013-2017
City of:						
Watertown	$ 16,354	$ 20,939	$ 22,398	$ 36,115	$ 46,718	$ 47,577
Towns of:						
Brownville	16,303	22,664	26,322	43,866	57,337	68,056
Hounsfield	19,806	28,733	28,131	47,742	71,827	67,039
Lyme	17,315	25,782	28,016	41,471	60,319	65,568
Pamelia	16,314	22,344	28,111	45,500	68,684	74,185
Watertown	21,786	25,159	32,822	46,563	75,481	90,650
County of:						
Jefferson	16,202	21,823	24,717	39,296	51,834	59,488
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

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

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

Larger Employers

Name	Type	Employees
Car Freshener	Manufacturer	375
General Brown Central School District	Public Education	214
Brownville Specialty Paper	Manufacturer	72
Fed Ex (ARC Fewtrny LLC)	Shipping Services	68

Source: District officials.

Unemployment Rate Statistics

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

	Annual Averages						
	2012	2013	2014	2015	2016	2017	2018
Jefferson County	9.9%	9.2%	7.6%	6.6%	6.2%	6.5%	5.6%
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.7%

	2019 Monthly Figures											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Jefferson County	6.7%	6.6%	6.3%	5.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
New York State	4.6%	4.4%	4.1%	3.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Unemployment rates for the month of May of 2019 are not available as of the date of this Official Statement.

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

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of seven 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 District. The President and the Vice President are selected by the Board members.

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain financial management functions of the District are the responsibility of the Superintendent.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America: (4) obligations of the State of New York; (5) obligations issued pursuant to Local Finance Law Sections 24.00 (tax anticipation notes) or 25.00 (revenue anticipation notes) with approval of the State Comptroller, by any municipality, school district or district corporation other than the District; and (6) in the case of the District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, an eligible letter of credit or an eligible surety bond, as each such term is defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) savings accounts or money market accounts of designated banks, (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State, (3) demand deposit accounts in a bank or trust company located in and authorized to do business in New York State, (4) obligations of New York State, or (5) obligations of the United State Government (U.S. Treasury bill and Notes). In the case of obligations of the United States government, the District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third-party custodian.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a tentative budget of the District for the ensuing fiscal year. This tentative budget must be completed at least fourteen days before the annual District meeting at which it is to be presented. Copies are available upon request to taxpayers within the District, fourteen days preceding such meeting and at each such meeting. The Board must also give notice that a copy of the tentative budget may be obtained at each schoolhouse within the District.

The Board of Education causes a notice to be published stating the time, date, place and purpose of the annual or district meeting. At least forty-five days must elapse between the first publication of such notice and the date specified for such meeting. The meeting must be held at the time and place specified but it may be adjourned to permit voting on the following day. If the qualified voters at the annual or School District meeting approve the tentative budget, the Board of Education, by resolution adopts the tentative budget as the budget of the District for the ensuing year.

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 District to exceed the School District Tax Cap to be exceeded also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third 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 qualified voters on May 15, 2018 by a vote of 358 to 65. The District's budget for the 2018-19 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.86%, which was equal to the District tax levy limit of 1.86%.

The budget for the 2019-20 fiscal year was approved by qualified voters on May 21, 2019 by a vote of 536 to 169. The District's budget for the 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 0.55%, which is equal to the District tax levy limit of 0.55%.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 65.28% of the revenues of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

Potential Reductions in Federal Aid Received by the State

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

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

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

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

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

Building Aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District State Building aid of approximately 84.0% for debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State Aid History

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

<u>*Gap Elimination Adjustment (GEA).*</u> The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level 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 $9.7 million. The District did not lose any additional State aid as a result of the GEA as the GEA was completely eliminated in the 2016-2017 Enacted State Budget.

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

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consists of traditional operating aid. In addition to full-funding of expense-based aids ($408 million), the budget also includes a $266 million increase in Foundation Aid and an $189 million restoration to the GEA. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District was a part of the Community Schools Grant Initiative (CSGI) and received $75,055 in grant monies from the State.

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.

State Aid Litigation

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

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

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

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

Fiscal Year	Total Revenues [(1)]	Total State Aid [(1)]	Percentage of Total Revenues Consisting of State Aid
2014-2015	$ 20,796,719	$ 12,893,156	62.00%
2015-2016	20,928,175	12,866,742	61.48
2016-2017	21,186,299	13,043,730	61.57
2017-2018	21,629,051	13,322,202	61.59
2018-2019 (Budgeted)	21,939,750	13,760,909	62.72
2018-2019 (Unaudited)	22,200,000	13,760,909	61.99
2019-2020 (Budgeted)	23,745,377	15,500,695	65.28

(1) General Fund only.

Source: Audited financial statements for the 2014-2015 through 2017-2018 fiscal years, unaudited results of the District and adopted budget for the 2018-2019 fiscal year and adopted budget of the District for the 2019-2020 fiscal year.

District Facilities

Name	Grades	Capacity	Year(s) Built/Additions
Glen Park Elementary School	3-6	500	1965, 2011
Dexter Elementary School	PK-2	425	1989, 2010
Junior/Senior High School	7-12	775	1956, 2012

Source: District officials.

Enrollment Trends

School Year	Enrollment	School Year	Projected Enrollment
2014-15	1,566	2019-20	1,475
2015-16	1,549	2020-21	1,475
2016-17	1,525	2021-22	1,475
2017-18	1,494	2022-23	1,475
2018-19	1,458	2023-24	1,475

Source: District officials.

Employees

The District employs approximately 214 employees, of which 204 are represented by the following collective bargaining units.

Employees	Bargaining Unit	Contract Expiration Date
109	General Brown Teachers' Association - NYSUT	June 30, 2019 (1)
90	General Brown Related Union - NYSUT	June 30, 2019 (1)
5	General Brown Administrators' Association	June 30, 2021

(1) Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

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

On December 12, 2009, a new Tier V was signed into law. The law became effective for new ERS and TRS hires on January 1, 2010. 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 a New Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The 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	ERS	TRS
2014-2015	$ 446,516	$ 1,025,758
2015-2016	346,976	1,094,569
2016-2017	316,581	890,809
2017-2018	341,415	843,934
2018-2019	334,679	735,703
2019-2020 (Budgeted)	390,000	820,000

Source: District records.

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 have any early retirement incentive programs.

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

A chart of average ERS and TRS rates as a percent of payroll (2016 to 2020) is shown below:

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

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

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

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

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

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

Other Post-Employment Health 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. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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.

GASB 75 and OPEB. In 2015, the GASB released new accounting standards for public other postemployment 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. The District implemented GASB Statement No. 75 for the fiscal year ending June 30, 2018. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Summary of Changes from the Last Valuation. The District contracted with an actuarial firm to calculate its actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018.

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

Balance at June 30, 2017, restated	$ 63,714,729
Changes for the year:	
Service cost	2,519,186
Interest	1,916,945
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(7,209,409)
Benefit payments	(1,170,192)
Net Changes	(3,943,470)
Balance at June 30, 2018	$ 59,771,259

Note: The above table is not audited.

GASB 45 and 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 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

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

The District had contracted with Armory Associates LLC, an actuarial firm, to calculate its OPEB in accordance with GASB 45. The following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending June 30, 2017 and 2016:

Annual OPEB Cost and Net OPEB Obligation:	***2016***	***2017***
Annual required contribution (ARC)	$ 4,161,912	$ 4,363,615
Interest on net OPEB obligation	539,244	651,138
Adjustment to ARC	(779,613)	(941,384)
Annual OPEB cost (expense)	3,921,543	4,073,369
Contributions made	(1,124,185)	(1,165,699)
Increase in net OPEB obligation	2,797,358	2,907,670
Net OPEB obligation - beginning of year	13,481,091	16,278,449
Net OPEB obligation - end of year	$ 16,278,449	$ 19,186,119
Percentage of annual OPEB cost contributed	28.67%	28.62%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 43,879,565	$ 46,271,791
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 43,879,565	$ 46,271,791
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 4,073,369	28.62%	$ 19,186,119
2016	3,921,543	28.67	16,278,449
2015	3,430,457	30.53	13,481,091

Note: The above tables are not audited.

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

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

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

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

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

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

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

Other Information

The statutory authority for the power to spend money for the objects or purpose, or class of objects or purpose, or to accomplish the objects or purpose, for which bonds and notes are to be issued is the Education Law and the Local Finance Law

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and may be found attached hereto as "APPENDIX – E" to this Official Statement. Certain financial information of the District can be found attached as appendices to the Official Statement.

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

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

Unaudited Results for the Fiscal Year Ending June 30, 2019

The District expects to end the fiscal year ending June 30, 2019 with a cumulative unappropriated unreserved fund balance of $2,000,000.

Summary unaudited information for the General Fund for the period ending June 30, 2019 is as follows:

Revenues:	$ 22,200,000
Expenditures:	21,000,000
Excess (Deficit) Revenues Over Expenditures:	$ 1,200,000
Total Fund Balance:	$ 3,200,000

Note: These projections are based upon certain current assumptions and estimates, and the audited results may vary therefrom.

Source: District officials.

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on October 24, 2014. The purpose of the audit was to examine the District's financial condition for the period July 1, 2013 through March 31, 2014.

Key Findings:

- The Board of Education has balanced recent budgets with appropriations of fund balance and reserves while limiting tax increases, resulting in a deficit unrestricted fund balance of $435,655 at the end of fiscal year 2012-13.
- District expenditures, specifically those related to employee benefits, have increased by more than $1.2 million since the 2008-09 fiscal year, despite the elimination of 46 positions over the last four fiscal years.

Key Recommendations:

- Carefully consider the amount of available fund balance and reserves appropriated to fund future budgets and retain a reasonable amount of unrestricted fund balance.
- Continue to explore and evaluate ways to cut costs and increase revenues.

The District provided a complete response to the State Comptroller's office on September 25, 2014. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

The State Comptroller's office released an audit report of the District on April 5, 2019. The purpose of the audit was to examine whether the Board of Education and District officials properly established, monitored, and accounted for the building renovation project for the period July 1, 2016 through October 18, 2018.

Noteworthy Achievements:

- District officials properly established the budget for the three school buildings and garage renovation project.
- District officials ensured that the work was completed within the scope of the project.
- The Office of the State Comptroller reviewed 34 disbursements totaling over $4.8 million for project claims paid during the audit period and determined they were supported by adequate documentation and properly audited.
- District officials established the necessary records to account for and monitor the building renovation project.

There were no recommendations as a result of the audit.

The District provided a complete response to the State Comptroller's office on March 26, 2019. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other recent Office of the State Comptroller's audits of the District, nor any 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 Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to school district officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each district's ST-3 report filed yearly with the State Education Department. Using financial indicators that include June 30, 2013 year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district is in "Significant Fiscal Stress", in "Moderate Fiscal Stress", as "Susceptible Fiscal Stress" or "No Designation." Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

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

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	0.0
2017	No Designation	0.0
2016	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 Valuations (1)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Taxable Assessed Value	$ 489,506,017	$ 493,864,276	$ 666,248,833 (2)	$ 666,914,446	$ 666,588,300
Taxable Full Valuation (3)	755,232,017	764,133,405	787,249,841	786,446,720	788,422,721
Taxable Full Valuation (4)	778,629,339	785,243,840	795,916,329	801,942,859	795,005,787

(1) See "APPENDIX – C" attached hereto for full computation of Taxable Full Valuation made with the use of regular State Equalization Rates and special State Equalization Ratios.
(2) Significant change due to revaluation
(3) Full Valuation computed using regular State Equalization Rates.
(4) Full Valuation computed using special State Equalization Ratios.

Tax Rates Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
City of:					
Watertown	$ 10.83	$ 10.91	$ 10.38	$ 10.60	$ 10.43
Town of:					
Brownville	14.66	14.77	9.55 (1)	9.75	9.90
Pamelia	16.29	16.56	16.76	17.11	17.38
Hounsfield	9.53	9.60	9.55	10.16	10.89
Watertown	14.66	14.77	15.04	15.01	15.48
Lyme	9.53	9.60	9.55	9.75	9.90

(1) Significant change due to revaluation

Tax Collection Procedure

Taxes are payable during September. If paid by October 1st, no penalty is imposed. There is a 2% penalty if paid by October 31st and a 3% penalty if paid by November 3rd. Taxes may be paid in full or in three equal installments (there is a service charge fee of 3% due with the first installment); the first payment is due October 1st, the second payment due by October 31st and the last payment due by December 1st.

On November 12th, a list of all unpaid taxes is given to the County for re-levy on County/Town tax rolls. The District is reimbursed by the County for all unpaid taxes for the first week of April in each year and is thus assured 100% collection of its annual levy.

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 7,197,381	$ 7,338,326	$ 7,521,050	$ 7,670,718	$ 7,813,094
Amount Uncollected (1)	325,988	304,827	290,570	297,669	329,637
% Uncollected	4.53%	4.15%	3.86%	3.88%	4.22%

(1) 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 fiscal years comprised of Real Property Taxes.

Fiscal Year	Total Revenues	Total Property Tax Levy	Percentage of Total Revenues Consisting of Real Property Tax
2014-2015	$ 21,026,877	$ 7,197,381	34.23%
2015-2016	21,367,788	7,338,326	34.34
2016-2017	21,714,656	7,521,050	34.64
2017-2018	21,629,051	7,734,561	35.76
2018-2019 (Budgeted)	21,939,750	7,813,094	35.85
2018-2019 (Unaudited)	22,200,000	7,813,094	35.19
2019-2020 (Budgeted)	23,745,377	7,856,032	33.08

Source: Audited financial statements for the 2014-2015 through 2017-2018 fiscal years, unaudited results of the District and adopted budget for the 2018-2019 fiscal year and adopted budget of the District for the 2019-2020 fiscal year. This table is not audited.

Larger Taxpayers 2018 Tax Roll for 2018-2019

Name	Type	Estimated Full Valuation
Black River Hydroelectric LLC	Utilities	$ 39,500,000 (1)
National Grid	Utilities	17,893,136
Car Freshener Corp	Manufacturing	5,608,000
BL – Watertown LLC	Retail	3,568,500
Hydro-Development Group	Utilities	3,193,000
LCO Destiny LLC	Warehousing/Manufacturing	2,659,000
Home Depot USA	Retail	2,594,000
Pope, Ronald J.	Warehousing	1,909,000
Stature Electric Inc.	Manufacturing	1,838,000
Gable, Bruce W.	Warehousing	1,702,000

(1) The District has a pending tax certiorari with Black River Hydroelectric LLC (formerly Northbrook NY Inc.). The District and town are disputing the valuation claim made by the company. The District does not have any other pending or outstanding tax certioraris that are known or believed could have a material impact on the finances of the District.

The ten larger taxpayers listed above have a total estimated full valuation of $83,124,636, which represents 10.5% of the tax base of the District.

Source: District Tax Rolls

STAR – School Tax Exemption

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

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less for 2018, and $86,300 or less for 2019, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a "basic" exemption on their primary residence.

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

	Enhanced Exemption	Basic Exemption	Date Certified
City of:			
Watertown	$ 65,270	$ 28,500	11/20/2018
Towns of:			
Brownville	$ 68,700	$ 30,000	4/9/2019
Hounsfield	62,520	27,300	4/9/2019
Lyme	68,700	30,000	4/9/2019
Pamelia	39,160	17,100	4/9/2019
Watertown	43,970	19,200	4/9/2019

$819,822 of the District's $7,813,094 school tax levy for the 2018-2019 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2019.

Approximately $800,000 of the District's $7,856,032 school tax levy for the 2019-2020 fiscal year is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January 2020.

Additional Tax Information

Real property located in the District is assessed by the towns in which the District is located.

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Residential-60%, Industrial-20%, Commercial-10%, and Agricultural-10%.

The estimated total annual property tax bill of a $100,000 average market value residential property located in the District is approximately $1,868, including County, Town, School District and Fire District Taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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.

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

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

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

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

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015 which generally extends the provisions of the program through 2019 and includes continued tax cap compliance.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Statutory Procedure

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

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

Debt Limit. The District has the power to contract indebtedness for any 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 District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

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

(1) Such obligations are authorized for a purpose for which the 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 Board of Education, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
Bonds	$ 11,000,000	$ 9,790,000	$ 9,245,000 [1]	$ 8,420,000	$ 7,560,000
Bond Anticipation Notes	0	0	0	0	5,000,000
Other Debt [2]	0	0	0	1,906,085	1,824,959
Total Debt Outstanding	$ 11,000,000	$ 9,790,000	$ 9,245,000	$ 10,326,085	$ 14,384,959

(1) Does not include $6,535,000 outstanding refunded serial bonds for which refunding bonds were issued in 2016 to realign the District’s debt service with the assumed amortization method of State aid payments. These refunded bonds will be redeemed at their first available call date of June 15, 2019. Funds are currently in an escrow account to pay debt service on such refunded through the redemption date.

(2) Represents an Energy Performance Contract (EPC). See “Energy Performance Contract” herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of May 31, 2019.

Type of Indebtedness	Maturity		Amount Outstanding
Bonds	2019-2027		$ 7,560,000
Bond Anticipation Notes			
Capital Project	July 11, 2019		5,000,000 [1]
		Total Indebtedness	$ 12,560,000

(1) To be renewed at maturity with the proceeds of the Notes.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared as of May 31, 2019:

	Computed Using Regular State Equalization Rates	Computed Using Spec State Equalization Ra
Five-year Average Full Valuation of Taxable Real Property.................	$ 596,624,374	$ 791,347,631
Debt Limit 5% thereof	29,831,219	39,567,382
Inclusions:		
Bonds...	$ 7,560,000	$ 7,560,000
Bond Anticipation Notes..	5,000,000	5,000,000
Tax Anticipation Notes...	-	-
Revenue Anticipation Notes..	-	-
Total Inclusions..	$ 12,560,000	$ 12,560,000
Exclusions:		
Appropriations..	$ 890,000	$ 890,000
Tax Anticipation Notes...	-	-
Revenue Anticipation Notes..	-	-
Total Exclusions..	$ 890,000	$ 890,000
Total Net Indebtedness (2)	$ 11,670,000	$ 11,670,000
Net Debt-Contracting Margin..	$ 18,161,219	$ 27,897,382
The percent of debt contracting power exhausted is............................	39.12%	29.49%

(1) The District's constitutional debt limit has been computed using both special equalization ratios established by the State Board of Equalization and Assessment pursuant to Art-12-B of the Real Property Tax Law and "conventional" equalization rates. Such "conventional" State equalization rates are also established by said State Board, and are used for all other purposes. See “APPENDIX – C” for computation of Full Valuation, made with the use of regular State Equalization Rates and special State Equalization Ratios.

(2) Based on 2019-2020 preliminary building aid ratios, the District receives State Building aid of approximately 84.0% of the debt service on its indebtedness incurred for building projects. A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The new provisions legislated, among other things, a new “assumed amortization” payout schedule for future State building aid payments based on an annual “average interest rate” and mandatory periods of probable usefulness with respect to the allocation of building aid. 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.

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

Bonded Debt Service

A schedule of Bonded Debt Service may be found as “APPENDIX – B” to this Official Statement.

Cash Flow Borrowing

The District found it necessary to issue $750,000 revenue anticipation notes on July 16, 2014. These revenue anticipation notes were paid in full at maturity on October 16, 2014 with available funds.

The District historically does not issue tax anticipation notes, and has not issued revenue anticipation notes since the 2014-2015 fiscal year. The District does not reasonably expect to issue such notes in the foreseeable future.

Capital Project Plans

On February 13, 2017, the voters of the District approved a $9.4 million district-wide capital project. The District will utilize $1,500,000 from its capital reserve, and there will be little to no net tax impact. Plans have been submitted the New York State Education Department (NYSED) and were approved on December 18, 2017. Construction commenced the summer of 2018. On July 11, 2018, the District issued $5,000,000 bond anticipation notes, which represented the first borrowing against this authorization. The proceeds of the Notes will renew the bond anticipation notes maturing on July 11, 2019, and will provide new money for the aforementioned purpose. A second phase of the project will likely be done in summer 2020. Upon project completion, the District would expect to convert to long term financing through the issuance of serial bonds in June 2020.

The District has no other authorizations or unissued debt for capital or other purposes.

Energy Performance Contract

On August 25, 2016, the District entered into an Energy Performance Contract ("EPC") with Key Government Finance, Inc., in the amount of $1,906,085 at an interest rate of 2.522%. The District will make semi-annual principal payments through 2032, with the option to prepay at any time. EPCs are not counted against the District's debt limit. The energy savings along with the anticipated building aid are expected to offset the lease payments.

The following is a summary of the payments to be made:

Fiscal Year Ending	Principal	Interest
2020	$ 113,095	$ 41,817.25
2021	115,948	38,929.02
2022	118,872	35,967.94
2023	121,870	32,932.18
2024-2028	657,031	116,376.40
2029-2032	587,830	30,111.66
TOTAL	$ 1,714,646	$ 296,134.45

Source: District records.

Estimated Overlapping Indebtedness

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

Municipality	Status of Debt as of	Gross Indebtedness (1)	Exclusions (2)	Net Indebtedness	District Share	Net Overlapping Indebtedness
County of:						
Jefferson	12/31/2016	$ 17,030,000	$ -	$ 17,030,000	9.88%	$ 1,682,564
City of:						
Watertown	6/30/2016	36,405,000	18,151,818	18,253,182	0.29%	52,934
Town of:						
Brownville	12/31/2016	879,800	879,800	-	97.90%	-
Hounsfield	12/31/2016	6,216,954	6,216,954	-	8.33%	-
Lyme	12/31/2016	915,740	915,740	-	1.66%	-
Pamelia	12/31/2016	2,300,869	-	2,300,869	86.09%	1,980,818
Watertown	12/31/2016	7,565,000	3,170,000	4,395,000	10.14%	445,653
Village of:						
Brownville	5/31/2017	3,451,047	907,000	2,544,047	100.00%	2,544,047
Dexter	5/31/2017	-	-	-	100.00%	-
					Total:	$ 6,706,016

(1) Outstanding bonds and bond anticipation notes are as of the close of the respective fiscal year, and are not adjusted to include subsequent bond or note sales, if any.

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

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2016 and 2017.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of May 31, 2019.

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 11,670,000	$ 1,332.34	1.48%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	18,376,016	2,097.96	2.33

[a] The 2017 estimated population of the District is 8,759. (See "THE SCHOOL DISTRICT - Population" herein.)

[b] The District's full value of taxable real estate for the 2018-2019 fiscal year using regular state equalization rates is $788,422,721. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

[d] Estimated net overlapping indebtedness is $6,706,016. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

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

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

MARKET AND RISK FACTORS

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and 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 another jurisdiction in the country or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

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

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. These requirements include provisions which prescribe yield and other limits relative to the investment and expenditures of the proceeds of the Notes and other amounts and require that certain earnings be rebated to the federal government. The District will agree to comply with certain provisions and procedures, pursuant to which such requirements can be satisfied. Non-compliance with such requirements may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which non-compliance is ascertained.

The District has designated the Notes as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of the United States branch of a foreign corporation is income that would be effectively connected with the United States trade or business if such income were taxable, such as the interest on the Notes. Existing United States income tax treaties may modify, reduce, or eliminate the branch profits tax, except in cases of treaty shopping.

The Code further provides that interest on the Notes is includable in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits is to be included in taxable income of individuals. In addition, certain S Corporations may have a tax imposed on passive income, including tax-exempt interest, such as interest on the Notes.

Prospective purchasers should consult their tax advisors with respect to the calculations of the foreign branch profits tax liability, and the tax on passive income of S Corporations or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Bond Counsel, assuming compliance with certain requirements of the Code, under existing laws, interest on the Notes is not includable in 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. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The opinion of Bond Counsel described herein with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. There can be no assurance that the Code will not be amended in the future so as to reduce or eliminate such favorable Federal income tax treatment of the Notes. Any such future legislation would have an adverse effect on the market value of the Notes.

In addition, in the opinion of Bond Counsel, under existing laws, 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.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Syracuse, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York; and (iii) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions of Bond Counsel set forth in (iii) above are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases.

Bond Counsel has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except to the extent, if any, stated in the Official Statement) or any other offering material relating to the Notes, and Bond Counsel expresses no opinion relating thereto (excepting only matters set forth as Bond Counsel's opinion in the Official Statement).

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 COMPLIANCE

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, the form of which is attached hereto as "APPENDIX D – MATERIAL EVENT NOTICES".

Except as noted below, the District is, in all material respects, in compliance with all prior undertakings pursuant to the Rule for the past five years.

The Annual Financial Information and Operating Data statement for the fiscal year ended June 30, 2013 that was originally published to EMMA on November 19, 2013 was later revised and refiled on December 10, 2014. The original filing was archived and can be found using the following link: http://emma.msrb.org/EA570744-EP600305-EA840569.pdf.

MUNICIPAL ADVISOR

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

RATINGS

The Notes are not rated. Subject to the approval of the District, the purchaser(s) of the Notes may have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, such as a rating action that may require the filing of a material event notification to EMMA.

Moody's Investors Service, Inc., ("Moody's") has assigned their underlying rating of "A1" to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich St., New York, New York 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.

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.

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

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

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

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

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

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

The District contact information is as follows: Lisa K. Smith, Executive Director of Administrative Services, 17643 Cemetery Road, PO Box 500, Dexter, New York 13634, Phone: (315) 779-2300, Fax: (315) 639-6916, Email: lsmith@gblions.org.

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

GENERAL BROWN CENTRAL SCHOOL DISTRICT

Dated: May 31, 2019

DR. SANDRA KLINDT
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Unrestricted Cash	$ 1,392,804	$ 2,300,600	$ 2,061,307	$ 2,802,723	$ 3,190,294
Restricted Cash	313,047	1,603,114	3,103,158	2,093,192	2,825,724
State and Federal Aid Receivable	1,197,727	652,547	742,585	759,789	632,756
Due from Other Funds	405,391	418,396	275,319	310,915	312,021
Due from Fiduciary Funds	-	-	-	80,591	8,012
Other Receivables	90,392	55,377	44,438	78,071	14,566
Prepaid Expenditures	13,802	13,802	13,802	220,982	13,802
TOTAL ASSETS	$ 3,413,163	$ 5,043,836	$ 6,240,609	$ 6,346,263	$ 6,997,175
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 82,765	$ 134,102	$ 37,834	$ 55,737	$ 109,288
Accrued Liabilities	15,916	17,798	17,225	16,953	33,145
Due to Other Governments	-	-	-	-	-
Compensated Absences Payable	144,913	214,380	208,580	167,133	188,595
Due to Other Funds	9,985	-	-	298,426	8,127
Due to Teachers' Retirement System	1,073,912	1,131,525	935,309	843,934	735,703
Due to Employees' Retirement System	150,432	137,443	121,275	111,550	113,643
TOTAL LIABILITIES	$ 1,477,923	$ 1,635,248	$ 1,320,223	$ 1,493,733	$ 1,188,501
FUND EQUITY					
Nonspendable:	$ 13,802	$ 13,802	$ 13,802	$ 220,982	$ 13,802
Restricted:	313,047	1,603,114	3,103,158	2,093,192	2,825,724
Assigned:	930,568	1,010,242	1,014,089	1,045,752	953,134
Unassigned:	677,823	781,430	789,337	1,492,604	2,016,014
TOTAL FUND EQUITY	$ 1,935,240	$ 3,408,588	$ 4,920,386	$ 4,852,530	$ 5,808,674
TOTAL LIABILITIES & FUND EQUITY	$ 3,413,163	$ 5,043,836	$ 6,240,609	$ 6,346,263	$ 6,997,175

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2013	2014	2015	2016	2017
REVENUES					
Real Property Taxes	$ 5,601,608	$ 5,930,511	$ 6,403,562	$ 6,528,611	$ 6,709,437
Other Tax Items	803,248	812,995	810,654	832,978	874,256
Charges for Services	37,209	40,802	46,018	143,600	120,815
Use of Money & Property	28,954	27,490	5,106	9,294	7,976
Sale of Property and Compensation for Loss	150,174	64,702	22,253	29,996	31,736
Miscellaneous	449,267	456,174	515,063	424,162	279,037
Revenues from State Sources	12,149,456	12,942,528	12,893,156	12,866,742	13,043,730
Revenues from Federal Sources	139,998	136,443	100,997	92,792	119,312
Total Revenues	$ 19,359,914	$ 20,411,645	$ 20,796,809	$ 20,928,175	$ 21,186,299
Other Sources:					
Operating Transfers In	96,000	-	-	-	-
Total Revenues and Other Sources	$ 19,455,914	$ 20,411,645	$ 20,796,809	$ 20,928,175	$ 21,186,299
EXPENDITURES					
General Support	$ 1,939,108	$ 1,790,722	$ 1,847,275	$ 2,020,338	$ 2,003,742
Instruction	10,269,002	9,421,391	9,737,207	10,105,756	10,459,445
Pupil Transportation	2,437,480	1,309,155	931,740	847,933	860,340
Community Services	-	-	-	-	-
Employee Benefits	4,928,113	4,854,351	4,899,161	4,883,527	4,887,785
Debt Service	2,236,638	2,237,625	1,586,482	1,107,975	1,075,362
Total Expenditures	$ 21,810,341	$ 19,613,244	$ 19,001,865	$ 18,965,529	$ 19,286,674
Other Uses:					
Operating Transfers Out	335,490	218,148	321,596	450,848	1,967,481
Total Expenditures and Other Uses	$ 22,145,831	$ 19,831,392	$ 19,323,461	$ 19,416,377	$ 21,254,155
Excess (Deficit) Revenues Over Expenditures	(2,689,917)	580,253	1,473,348	1,511,798	(67,856)
FUND BALANCE					
Fund Balance - Beginning of Year	4,044,904	1,354,987	1,935,240	3,408,588	4,920,386
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 1,354,987	$ 1,935,240	$ 3,408,588	$ 4,920,386	$ 4,852,530

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes	$ 7,670,718	$ 7,670,718	$ 6,847,603	$ 7,813,094	$ 7,856,032
Other Tax Items	42,000	42,000	886,958	52,000	57,000
Charges for Services	6,100	6,100	48,711	9,147	10,100
Use of Money & Property	16,250	16,250	7,489	16,250	55,750
Sale of Property and Compensation for Loss	1,350	1,350	34,669	151,350	1,800
Miscellaneous	179,000	179,000	382,504	29,000	184,000
Revenues from State Sources	13,335,510	13,335,510	13,322,202	13,760,909	15,500,695
Revenues from Federal Sources	90,000	90,000	90,915	90,000	80,000
Total Revenues	$ 21,340,928	$ 21,340,928	$ 21,621,051	$ 21,921,750	$ 23,745,377
Other Sources:					
Operating Transfers In	8,000	8,000	8,000	18,000	18,000
Total Revenues and Other Sources	$ 21,348,928	$ 21,348,928	$ 21,629,051	$ 21,939,750	$ 23,763,377
EXPENDITURES					
General Support	$ 2,402,942	$ 2,315,378	$ 2,020,316	$ 2,400,750	$ 3,773,077
Instruction	11,555,466	11,643,032	11,127,182	11,908,390	12,397,126
Pupil Transportation	1,037,601	1,037,600	911,773	1,046,200	972,224
Community Services	-	-	-	-	-
Employee Benefits	5,711,195	5,687,579	4,936,406	5,807,107	8,020,950
Debt Service	1,228,976	1,252,591	1,229,579	1,237,303	-
Total Expenditures	$ 21,936,180	$ 21,936,180	$ 20,225,256	$ 22,399,750	$ 25,163,377
Other Uses:					
Operating Transfers Out	468,500	468,500	447,651	450,000	-
Total Expenditures and Other Uses	$ 22,404,680	$ 22,404,680	$ 20,672,907	$ 22,849,750	$ 25,163,377
Excess (Deficit) Revenues Over Expenditures	(1,055,752)	(1,055,752)	956,144	(910,000)	(1,400,000)
FUND BALANCE					
Fund Balance - Beginning of Year	1,055,752	1,055,752	4,852,530	910,000	1,400,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 5,808,674	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 890,000	$ 192,356.26	$ 1,082,356.26
2020	915,000	164,937.50	1,079,937.50
2021	945,000	128,337.50	1,073,337.50
2022	980,000	99,437.50	1,079,437.50
2023	1,000,000	79,837.50	1,079,837.50
2024	1,015,000	59,837.50	1,074,837.50
2025	1,040,000	39,537.50	1,079,537.50
2026	520,000	17,437.50	537,437.50
2027	255,000	5,737.50	260,737.50
TOTALS	$ 7,560,000	$ 787,456.26	$ 8,347,456.26

Note: Does not include $6,535,000 outstanding refunded serial bonds for which refunding bonds were issued in 2016 to realign the District's debt service with the assumed amortization method of State aid payments. These refunded bonds will be redeemed at their first available call date of June 15, 2019. Funds are currently in an escrow account to pay debt service on such refunded through the redemption date.

Note: Does not include Energy Performace Contract figures.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2011 Renovation/Reconstruction [1]			2016 Refunding of 2011			2016 Energy Performance Contract [2]		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	$ 855,000	$ 257,975.02	$ 1,112,975.02	$ 35,000	$ 165,637.50	$ 200,637.50	$ 110,313	$ 44,634.43	$ 154,947.43
2020	880,000	231,256.25	1,111,256.25	915,000	164,937.50	1,079,937.50	113,095	41,817.25	154,912.25
2021	900,000	203,756.25	1,103,756.25	945,000	128,337.50	1,073,337.50	115,948	38,929.02	154,877.02
2022	935,000	174,506.25	1,109,506.25	980,000	99,437.50	1,079,437.50	118,872	35,967.94	154,839.94
2023	970,000	142,950.00	1,112,950.00	1,000,000	79,837.50	1,079,837.50	121,870	32,932.18	154,802.18
2024	1,000,000	109,000.00	1,109,000.00	1,015,000	59,837.50	1,074,837.50	124,943	29,819.87	154,762.87
2025	1,035,000	74,000.00	1,109,000.00	1,040,000	39,537.50	1,079,537.50	128,094	26,629.07	154,723.07
2026	535,000	32,600.00	567,600.00	520,000	17,437.50	537,437.50	131,325	23,357.79	154,682.79
2027	280,000	11,200.00	291,200.00	255,000	5,737.50	260,737.50	134,637	20,004.01	154,641.01
2028	-	-	-	-	-	-	138,032	16,565.66	154,597.66
2029	-	-	-	-	-	-	141,513	13,040.60	154,553.60
2030	-	-	-	-	-	-	145,083	9,426.62	154,509.62
2031	-	-	-	-	-	-	148,741	5,721.50	154,462.50
2032	-	-	-	-	-	-	152,493	1,922.94	154,415.94
TOTALS	$ 7,390,000	$1,237,243.77	$ 8,627,243.77	$ 6,705,000	$ 760,737.50	$7,465,737.50	$ 1,824,959	$ 340,768.88	$2,165,727.88

(1) The 2020-2027 maturities were refunded by the 2016 Refunding Serial Bonds. The bonds are to be called and paid in full on June 15, 2019.
(2) EPC is not included in the totals for "APPENDIX - B - Bonded Debt Service".

COMPUTATIONS OF FULL VALUATION

Using Regular State Equalization Rates

For Fiscal Year Ending June 30:		2015	2016	2017	2018	2019
Taxable Assessed Valuation						
City of:	Watertown	$ 3,136,300	$ 3,136,300	$ 3,136,300	$ 3,137,300	$ 3,137,300
Towns of:	Brownville	286,332,009	287,452,735	459,856,528 [1]	463,862,564	463,002,508
	Pamelia	131,284,923	132,301,383	134,652,289	134,845,928	134,648,708
	Hounsfield	28,581,817	28,600,023	28,797,039	28,150,260	28,475,957
	Watertown	33,402,200	35,758,841	33,313,126	30,384,087	30,712,712
	Lyme	6,768,768	6,614,994	6,493,551	6,534,307	6,611,115
Total Assessed Valuation		$ 489,506,017	$ 493,864,276	$ 666,248,833	$ 666,914,446	$ 666,588,300
State Equalization Rates						
City of:	Watertown	88.00%	88.00%	92.00%	92.00%	95.00%
Towns of:	Brownville	65.00%	65.00%	100.00% [1]	100.00%	100.00%
	Pamelia	58.50%	58.00%	57.00%	57.00%	57.00%
	Hounsfield	100.00%	100.00%	100.00%	96.00%	91.00%
	Watertown	65.00%	65.00%	63.50%	65.00%	64.00%
	Lyme	100.00%	100.00%	100.00%	100.00%	100.00%
Total Full Valuation		$ 755,232,017	$ 764,133,405	$ 787,249,841	$ 786,446,720	$ 788,422,721

[1] Significant change from previous year due to revaluatioı

Using Special State Equalization Ratios

For Fiscal Year Ending June 30:		2015	2016	2017	2018	2019
Special Equalization Ratios						
City of:	Watertown	90.42%	91.77%	90.83%	90.06%	94.46%
Towns of:	Brownville	62.69%	62.77%	98.63% [1]	97.69%	99.03%
	Pamelia	56.74%	56.73%	56.53%	56.19%	56.70%
	Hounsfield	101.55%	97.56%	94.94%	93.57%	89.59%
	Watertown	64.12%	65.35%	65.22%	64.94%	63.79%
	Lyme	99.55%	99.72%	98.19%	96.47%	98.09%
Taxable Full Valuation						
City of:	Watertown	$ 3,468,591	$ 3,417,566	$ 3,452,934	$ 3,483,567	$ 3,321,300
Towns of:	Brownville	456,742,717	457,946,049	466,244,072	474,831,164	467,537,623
	Pamelia	231,379,843	233,212,380	238,196,160	239,982,075	237,475,675
	Hounsfield	28,145,561	29,315,317	30,331,830	30,084,707	31,784,749
	Watertown	52,093,263	54,718,961	51,078,083	46,787,938	48,146,594
	Lyme	6,799,365	6,633,568	6,613,251	6,773,408	6,739,846
Total Full Valuation		$ 778,629,339	$ 785,243,840	$ 795,916,329	$ 801,942,859	$ 795,005,787

[1] Significant change from previous year due to revaluation.

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 "Commission") pursuant to the Securities Exchange Act of 1934, the District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

(a) principal and interest payment delinquencies;

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

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

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

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

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

(g) modifications to rights of holders of the Notes, if material;

(h) note calls, if material and tender offers;

(i) defeasances;

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

(k) rating changes;

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

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

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

(o) incurrence of a financial obligation 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 security holders, 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 Commission staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

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

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

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

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

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

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

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

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GENERAL BROWN CENTRAL SCHOOL DISTRICT

JEFFERSON COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

Such Audited Financial Statements and opinion 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.

Table of Contents

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION
GENERAL BROWN CENTRAL SCHOOL DISTRICT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 General Brown Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018, the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-21), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 84), Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 85-86), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 87), and Schedule of District's Contributions - NYSLRS Pension Plan (page 88) 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 General Brown Central School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 89-95), are presented for purposes of additional analysis and are not part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (page 102) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 89-95) and the Schedule of Expenditures of Federal Awards (page 102) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 89-95) and the Schedule of Expenditures of Federal Awards (page 102) are 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 24, 2018 on our consideration of the General Brown Central School District'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 General Brown Central School 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 General Brown Central School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
September 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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

FINANCIAL HIGHLIGHTS

The School District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The board of education is the governing body elected by the residents of the School District. Their mission is to maintain certain standards in excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the School District's attempt at completing this mission.

For the year ending June 30, 2018 total revenues of $24,235,034 were $1,172,960 more than the $25,407,994 in expenses. This deficit of $1,172,960 decreased the restated Net Position (Deficit) at the beginning of the year of ($34,399,025) to an ending Net Position Deficit of ($35,571,985) at June 30, 2018. The School District's portion of Unrestricted Net Assets designated to reduce real estate taxes in 2018-2019 is $910,000.

The total property assessment for the School District in the 2017-2018 school year was $666,914,446 which was $664,113 over the 2016-2017 school year. This increase in assessment is primarily due to new properties added to the tax roll. The true value tax rate for 2017-2018 was $9.75 per thousand of assessment, an increase of $0.20 from the previous year.

The School District employs approximately 210 full and part time employees. The Teachers' Union and the School Related Professionals' Union have a collective bargaining agreement in place until June 30, 2019. The Administrator's Union has a collective bargaining agreement in effect until June 30, 2021.

Total enrollment for the 2017-2018 school year was 1,494, which was a decrease of 1 student or 0.06% from the 2016-2017 year. Projections for the 2018-2019 show another slight decrease in enrollment. The District has maintained standards set by the New York State Education Department for the testing of their students to achieve mastery in certain core subjects at or above the levels set by the State Education Department for the year ending June 30, 2018. The Board of Education adopted an updated Strategic Action Plan on December 8, 2014 and continued to progress toward meeting the goals during the 2017-2018 school year. The District is in the process of updating the Plan for the 2019-2020 school year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL HIGHLIGHTS - Continued

The District has established several Reserve Funds to provide protection against foreseeable obligations and unforeseeable expenses. At June 30, 2018, the balances are as follows:

	Additions/Subtractions - not including interest (2017-2018 fiscal year)		Balance June 30, 2018	
Unemployment Reserve	$	-	$	233,942
Retirement Reserve	$	-	$	1,350,419
Workers Compensation Reserve	$	-	$	267,563
Employee Benefits Accrued Liability Reserve	$	(17,500)	$	223,800
Capital Reserve	$	750,000	$	750,000

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information (pages 84-95) that further explains and supports the financial statements. Page 85-86 shows a comparison of the School District's budget and actual for the year. Beginning on page 96 is the federal award program information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

The following summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. 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 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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

District-Wide Statements

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

The two district-wide statements report the School District's *net position* and how they have changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or *position.*

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the School District's overall health, you need to consider additional non-financial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are shown as *Governmental activities:* Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State and Federal aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Fund Financial Statements – Continued

The District has two kinds of funds:

1) Governmental Funds: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2) Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net positions may serve over time as a useful indicator of a government's financial condition. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $35,571,985 at the close of the most recent fiscal year. This represents a $1,172,960 decrease in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2018, the OPEB liability was $59,771,259 compared to $63,714,729 reported at the close of the prior fiscal year, as restated. The restatement of the OPEB liability was due to the District implementing a change in accounting principle to comply with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 19 to the financial statements for additional information relating to the restatement. The overall decrease in net position in the current fiscal year is largely due to two factors. First, is the net change in the OPEB liability recognized in the current year which resulted in a positive change of $3,943,470. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of $7,113,845. The net impact of these two items, of $3,170,375, ultimately resulted in the current year decrease. See Note 14 for additional OPEB information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The following schedule summarizes, on a comparison basis, the School District's net position. The complete Statement of Net Position for fiscal year 2017-2018 can be found in the School District's basic financial statements.

Condensed Statement of Net Position
Fiscal Years 2017-2018 and 2016-2017

	2017-2018	2016-2017 (Restated)	Variance
Assets			
Current and Other Assets	$ 8,145,424	$ 7,763,969	$ 381,455
Capital Assets, Net	29,391,702	28,429,105	962,597
Net Pension Asset - Proportionate Share	327,694	-	327,694
Total Assets	$ 37,864,820	$ 36,193,074	$ 1,671,746
Deferred Outflow of Resources			
Other Postemployment Benefits	$ 1,265,756	$ 1,170,192	$ 95,564
Pensions	5,186,273	5,108,672	77,601
Deferred Charge of Bond Refunding	419,203	465,781	(46,578)
Total Deferred Outflow of Resources	$ 6,871,232	$ 6,744,645	$ 126,587
Liabilities			
Current Liabilities	$ 1,216,672	$ 1,091,405	$ 125,267
Long-Term Liabilities	69,765,581	74,654,736	(4,889,155)
Net Pension Liability - Proportionate Share	268,022	1,204,741	(936,719)
Total Liabilities	$ 71,250,275	$ 76,950,882	$ (5,700,607)
Deferred Inflow of Resources			
Other Postemployment Benefits	$ 7,209,409	$ -	$ 7,209,409
Pensions	1,848,353	385,862	1,462,491
Total Deferred Inflow of Resources	$ 9,057,762	$ 385,862	$ 8,671,900
Net Position			
Investment in Capital Assets, Net of Related Debt	$ 19,673,242	$ 17,936,749	$ 1,736,493
Restricted	3,838,825	2,172,957	1,665,868
Unrestricted (Deficit)	(59,084,052)	(54,508,731)	(4,575,321)
Total Net Position	$ (35,571,985)	$ (34,399,025)	$ (1,172,960)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets at June 30, 2018 consist primarily of cash equivalents of $7,247,828 and State, Federal and BOCES aid receivable of $861,076. Net capital assets increased by $962,597. The total current assets increased by $1,671,746.

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is $5,186,273 related to the District's participation in the NYS TRS and ERS pension systems, $1,265,756 related to the District's OPEB Plan, and $419,203 for a deferred charge on bond refunding.

Current liabilities consist of accrued liabilities totaling $41,459 and accounts payable of $301,840. $735,703 was accrued for Teachers' Retirement System payments to be paid in September, October and November of 2018. The Employees' Retirement System accrual is $113,643. This accrual will be part of the ERS payment due in February 2019. The current principal portion of the long-term debt totals $927,056 while the long-term due and payable beyond one-year totals $6,966,445. The current portion of compensated absences total $188,595. Compensated absences payable and other postemployment benefits payable beyond one-year totals $59,858,526. The net pension liability of $268,022 is the Employees' Retirement System (ERS) proportionate share. The total liabilities decreased by $5,700,607, primarily as a result of the decrease in restated other postemployment benefits.

In addition to liabilities, the *Statement of Net Position* or balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is $1,848,353 related to the District's participation in the NYS TRS and ERS pension systems, and $7,209,409 related to the District's OPEB Plan.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

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

The following schedule summarizes, on a comparison basis, the School District's activities. The complete Statement of Activities for fiscal year 2017-2018 can be found in the School District's basic financial statements.

Condensed Statement of Activities
Fiscal Years 2017-2018 and 2016-2017

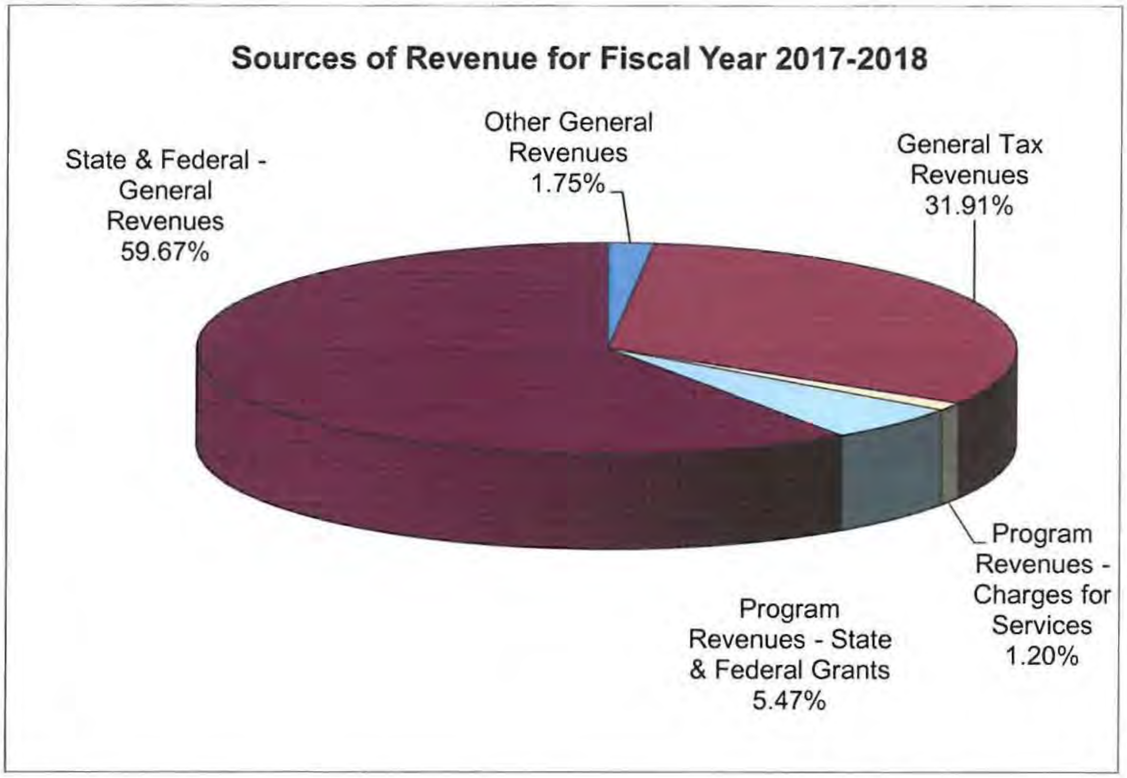
	2017-2018	2016-2017	Variance *
Revenues			
Program Revenues			
Charges for Services	$ 291,126	$ 377,425	$ (86,299)
Operating Grants	1,325,458	1,384,253	(58,795)
General Revenues			
Property and Other Tax Items	7,734,561	7,583,693	150,868
Use of Money and Property	34,787	31,911	2,876
Sale of Property and Compensation for Loss	7,489	5,391	2,098
Miscellaneous	382,504	279,037	103,467
State Sources	14,368,194	13,043,730	1,324,464
Federal Sources	90,915	119,312	(28,397)
Total Revenues	$ 24,235,034	$ 22,824,752	$ 1,410,282
Expenses			
General Support	$ 2,895,542	$ 2,966,231	$ (70,689)
Instruction	19,661,783	18,650,850	1,010,933
Pupil Transportation	1,855,535	1,749,727	105,808
Debt Service - Interest	271,277	296,839	(25,562)
School Food Service - Cost of Food Sales	723,857	722,729	1,128
Total Expenses	25,407,994	24,386,376	1,021,618
Change in Net Position	$ (1,172,960)	$ (1,561,624)	$ 388,664

*2016-2017 Statement of Activities information has not been restated as the required information in GASB 75 is only available for fiscal years ended June 30, 2018 and forward.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

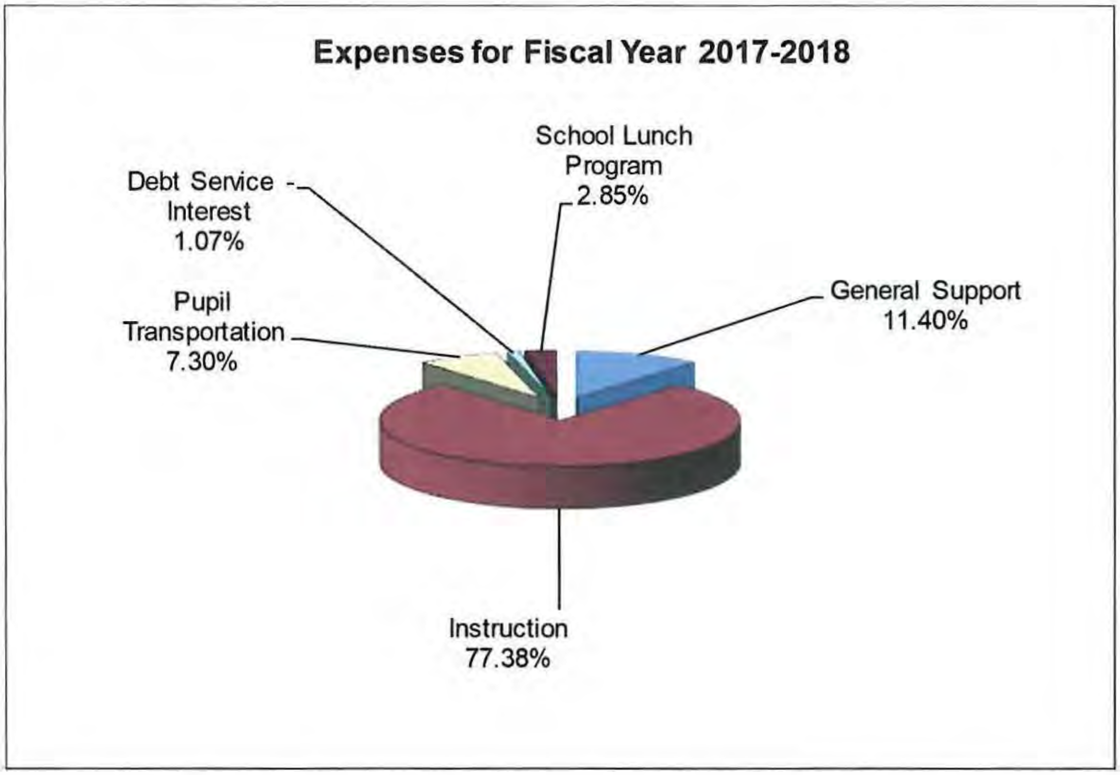
Condensed Statement of Activities
Fiscal Years 2017-2018



The School District is heavily dependent on both state and federal aid as a revenue source. State and Federal Grants and State and Federal General Revenues combined account for 65% of total revenues received for fiscal year 2017-2018. General Tax Revenues account for 32% of revenues received in fiscal year 2017-2018. These two areas represent 97% of the total revenues received for the year, a with no change from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued



Instruction, pupil transportation and general support account for about 96% of the total expenses of the School District for fiscal year 2017-2018. This percentage remained the same from the prior fiscal year in total.

The financial statements also include the Special Aid Fund and School Food Service Fund, which are primarily funded by state and federal aid and food sales.

General Fund Budgetary Highlights

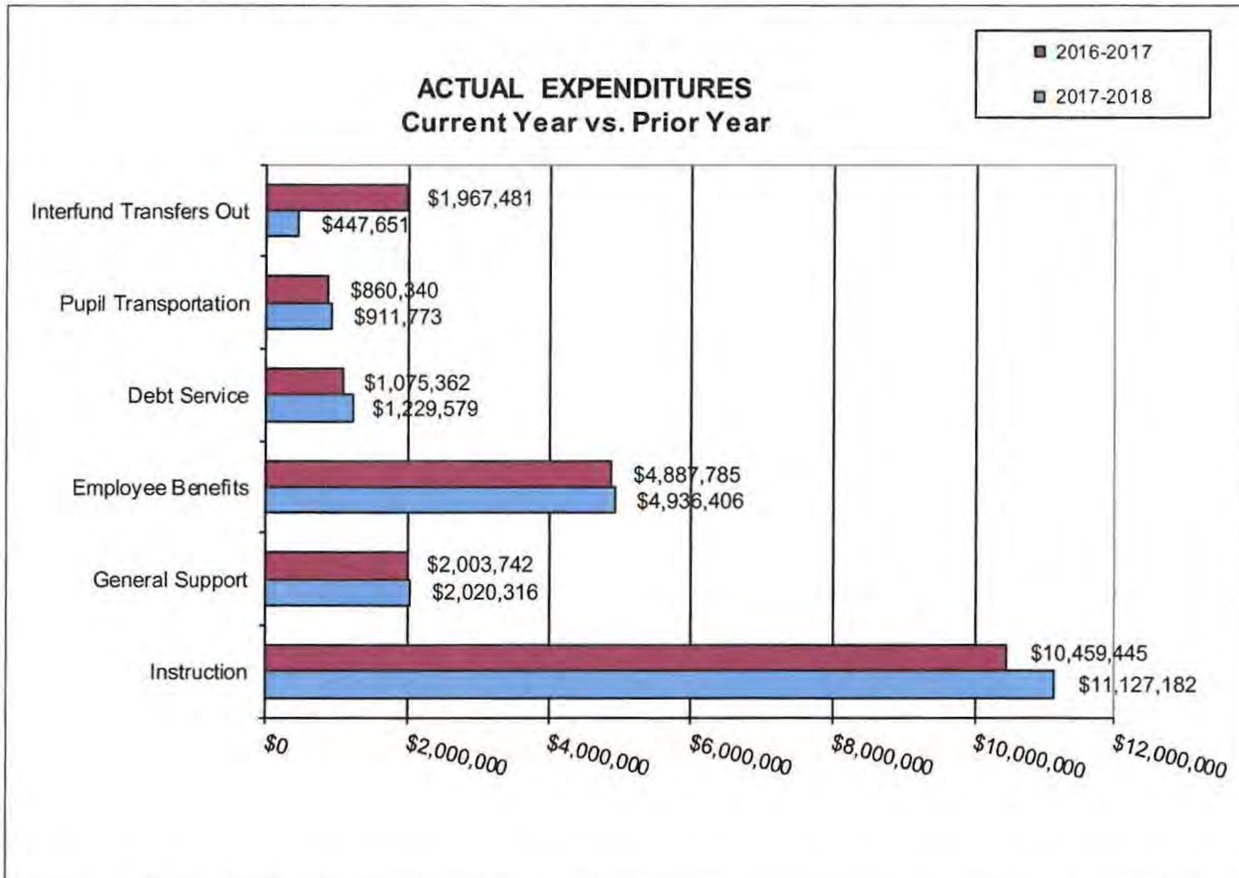
The voters of the District approved the proposed appropriation budget in the amount of $22,253,928 on May 16, 2017. District voters approved a proposition for the purchase of three school buses in an amount not to exceed $313,500, which is included in the previous amount. Prior year carry-forward encumbrances of $150,752, bring the final budget amount to $22,404,680.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights- Continued

Actual expenditures for 2017-2018 totaled $20,672,907 which includes transfers to other funds totaling $447,651, for a variance of $1,688,639 (over budgeted amounts after year end encumbrances of $43,134). The graph below shows how the actual expenditures are distributed for each budget over the past two budget years:



The following highlights the major increases/decreases in spending for fiscal year 2017-2018 as compared to prior fiscal year 2016-2017:

Interfund Transfers Out – The decrease is due to a prior year transfer of $1,500,000 to fund the Capital Project.

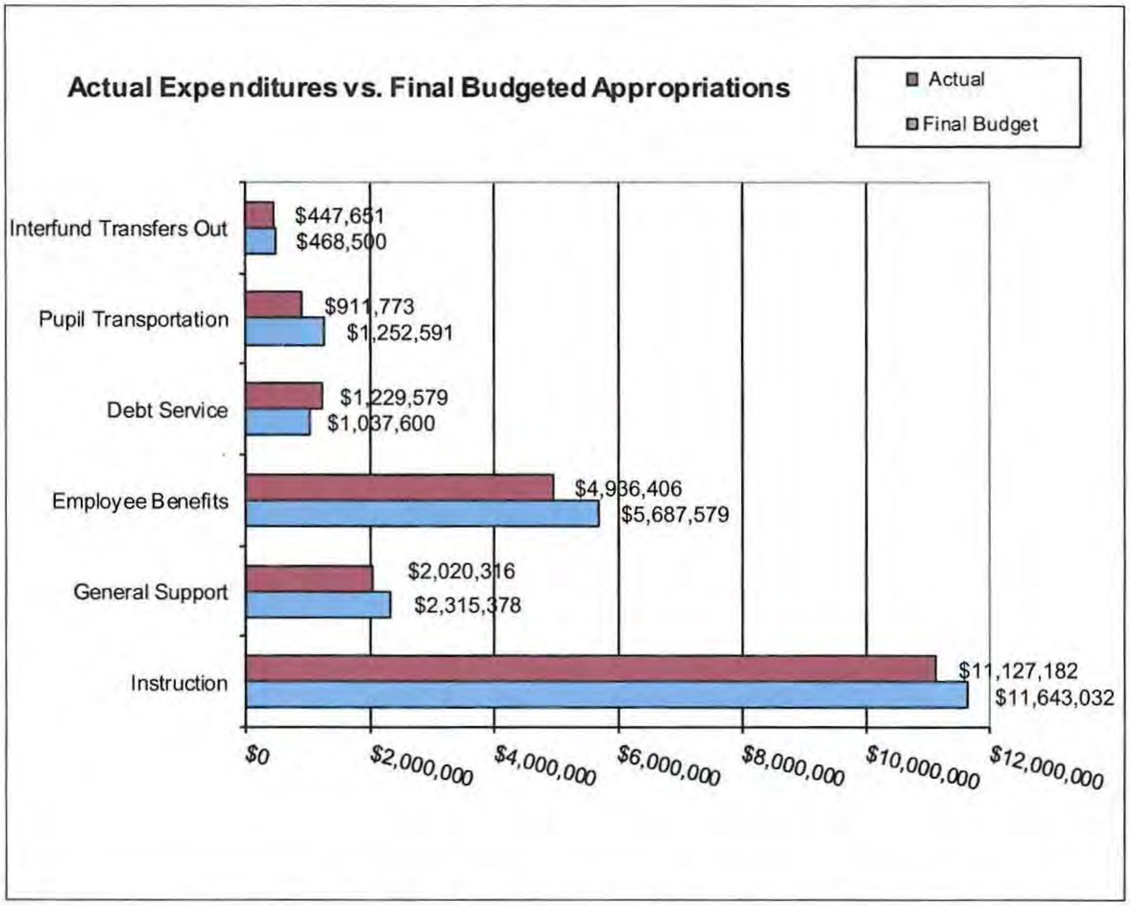
Instructional expenses – These expenses increased by $667,737 due to the reinstatement of several positions and contractual increases.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights- Continued

The following graph examines some specific areas of variations between the final budgeted appropriations and the actual expenditures:



When comparing the Final Budget variance with Budgetary Actual, the 2017-2018 budget appropriations were on target or greater than actual expenditures in all areas of the budget except for debt service.

In 2017-2018, the School District appropriated $895,000 of the fund balance to reduce taxes for fiscal year ending June 30, 2018. Unspent appropriations provide cash flow at year-end when state aid is uncertain. Without this balance, the School District would have to borrow funds at year-end to meet its obligations.

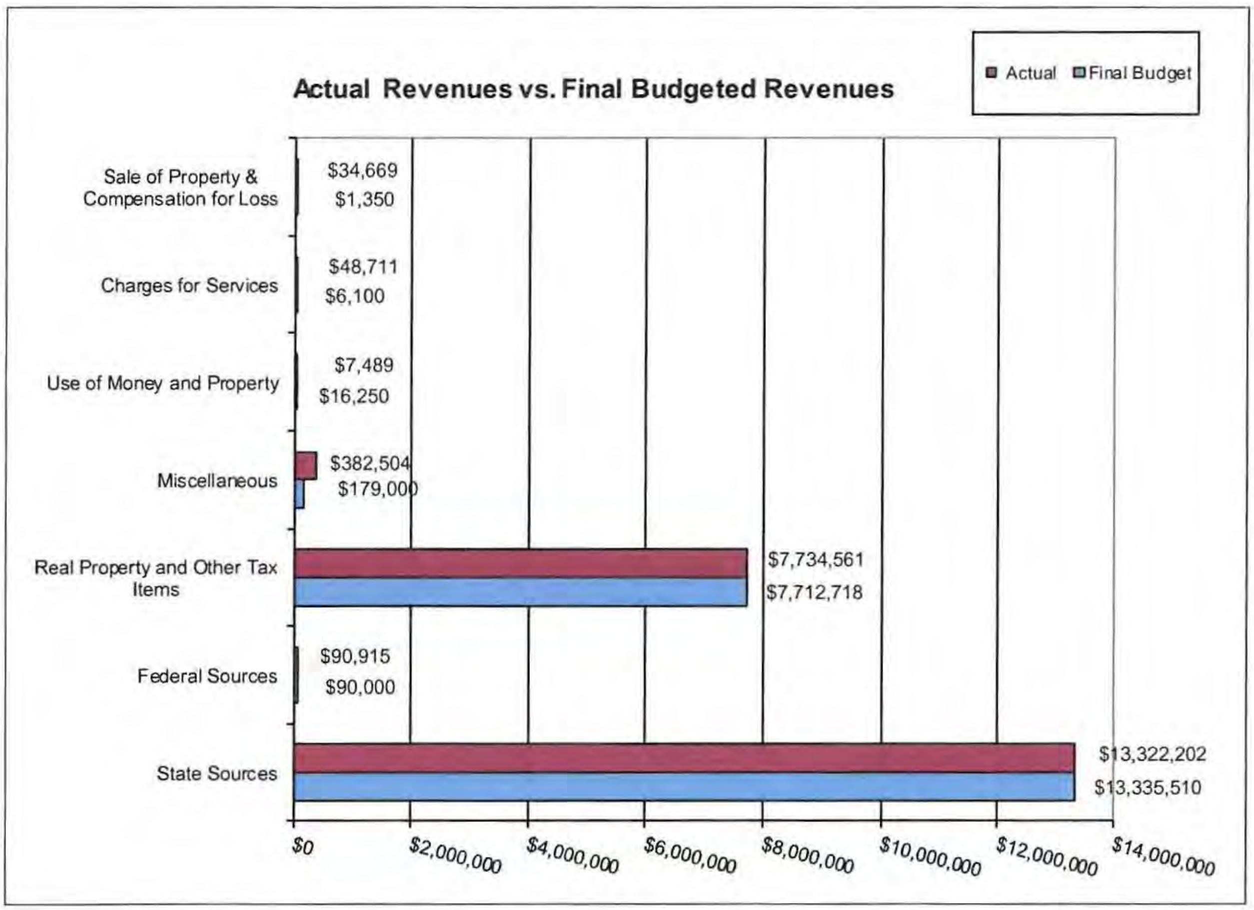
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights- Continued

Revenues

Actual revenues, including transfers from other funds, exceeded budgeted amounts by $280,123 for fiscal year 2017-2018, primarily due to increase in charges for services and prior year BOCES fund balance refund. The following graph depicts actual revenues in comparison with final budgeted revenues.



In 2017-2018, the School District appropriated $910,000 of fund balance to reduce taxes for fiscal year ending June 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

General Fund

General Funds are used to operate the schools' daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Property tax revenues received amounts to 32% of total General Fund revenues for 2017-2018, down 1% from the prior year.

Special Aid Fund

The School District receives State and Federal grants, which fund specific academic activities. These grants are written for specific purposes and include reading improvement, staff development, technology improvements and needs related to students with disabilities.

Title I funds can only be used in schools that meet a 35% poverty level. In the 2017-2018 school year, Dexter Elementary was the only school to achieve that minimum percentage. Therefore, Title I monies can only be used to fund the academic intervention program in this school.

It is important to note that some of these grants have a fiscal year that runs from September 1 to August 31, which differs from the school fiscal year of July 1 to June 30. Therefore, there are funds being spent during the summer months that result in carry over amounts as of the June 30, 2018 school year.

The following chart shows the grant amounts recorded in the Special Aid Fund:

	2017-2018	2016-2017
Title I NCLB Basic Grant	$ 199,849	$ 232,541
Title II Part A	39,998	63,826
IDEA Part B Section 611	356,475	349,709
IDEA Section 619	7,372	7,372
Universal Pre-Kindergarten	224,186	230,284
Summer School - Section 4408	78,216	53,230
DoDEA	40,205	71,658
	$ 946,301	$ 1,008,620

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Debt Service Fund

This fund is used to accumulate interest on capital fund proceeds earned during building projects. These funds have to be used to reduce the debt in the general fund in subsequent years. $8,000 from debt service funds were used during the 2017-2018 fiscal year.

School Food Service Fund

The School Food Service Program is funded through State and Federal Aid along with sale of lunch and breakfast items. The School Food Service Program realized a $102,285 loss for the year ending June 30, 2018 primarily due to increasing food prices and labor costs. To date, the School Food Service fund has an unassigned fund balance deficit of $57,802, which is decreased from the prior year deficit of $80,520 due to a $125,000 subsidization from the general fund. Beginning with the 2015-2016 fiscal year, the Board of Education approved a five-year subsidization plan to mitigate losses and eliminate the deficit fund balance.

Capital Projects Fund

The School District uses the Capital Fund to record the purchase of school buses. $313,500 was approved by proposition and $306,136 was transferred from the general fund during the year ending June 30, 2018 to purchase 3 new school buses. Currently, a Smart School Bond Act project and District-wide Project are being completed as seen in the fund financial statements.

CAPITAL ASSETS

Land is valued at acquisition cost and the School District only has property with structures on or adjacent to it.

Building & Improvements have various dates of construction from the High School in 1957 to the District Wide Renovation Project completed in 2012. Another renovation project was approved by voters in February 2017, which phase I of construction began in June 2018 and is expected to be completed in October of 2018. Phase II of the project will occur during the summer of 2019. The District began an Energy Performance Project in July of 2016 and was completed in the 2017-2018 school year.

Furniture & Equipment are recorded for the entire School District and includes vehicles and school buses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS - Continued

A fixed asset policy was established by the School Board on August 11, 2003 to capitalize fixed assets of at least $3,000 and building improvements of $25,000. The Net Capital Assets after depreciation is $29,391,702 at June 30, 2018.

	Balance June 30, 2017	2018 Additions	2018 Retirements/ Reclassifications	Balance June 30, 2018
Land	$ 160,983	$ -	$ -	$ 160,983
Construction in Progress	1,701,914	1,808,942	(1,906,085)	1,604,771
Building & Improvements	42,282,121	-	1,906,085	44,188,206
Furniture & Equipment	5,059,164	393,926	(238,998)	5,214,092
Less:				
Accumulated Depreciation	20,775,077	1,240,271	(238,998)	21,776,350
Total Capital Assets, Net	$ 28,429,105	$ 962,597	$ -	$ 29,391,702

For more information refer to Note 7 in the notes to financial statements.

Long-Term Debt

The School District has a bond outstanding on a capital project issued in 2011. The last date that bond will be paid is June 15, 2027. In 2016, the District issued $6,765,000 in general obligation bonds to partially refund $6,535,000 of the 2011 outstanding bonds. During 2017, the District issued a $1,701,914 capital lease obligation for the Energy Performance Contract.

The Long-Term Debt is broken down by current (within one year) and long term (after one year). At June 30, 2018, the School District had the following breakdown of debt for serial bonds, capital lease obligations, and premium on bonds:

	2017-2018	2016-2017
Due and Payable in One Year	$ 1,037,369	$ 978,182
Due and Payable After One Year	8,681,091	9,718,460
Total Long-Term Debt	$ 9,718,460	$ 10,696,642

The Long-Term liability associated with Other Postemployment Benefits (OPEB) decreased by $3,943,470 for a total ending balance of $59,771,259 on June 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

With the following observations, the School District can only project what future financial changes will be by how the history of budget and school operations have been in the School District.

- On February 13, 2017, voters approved a $9,400,000 capital improvement project, to increase the lifespan of the school facilities by replacing deteriorated roofing, paving, cabinetry and garage bus lifts. The project is broken down into two phases with phase I being completed in the fall of 2018. Phase II is scheduled to begin in June of 2019. The Board approved a transfer of $1,500,000 from the Capital Reserve fund into the Capital fund in 2017, which covered the local share of the project resulting in no impact on the taxpayer.

- The District has experienced significant financial recovery since the 2012-2013 school year. In 2015, the District was identified by the NYS School Boards' Association as a District experiencing the most improvement in fiscal health. Within 3 years, the District replenished all of its reserve funds expended during the economic downturn, restored 17 positions, and returned to an A1 credit rating. The District continues to spend the least per pupil in New York State at $14,896 per pupil. As a result of implementing many significant cost-saving measures during the 2013-2014 school year that has continued throughout the current year, the District has an unassigned fund balance above the statutory limit of 4 percent. The District plans to use the extra funds to pay for the District's portion of the upcoming Jefferson-Lewis BOCES capital project.

- In 2017, The NYS Comptroller recently issued a warning that revenue growth from state and local sources may be limited for several years to come. With an increase in State spending and decreased tax collections, State Aid increases are likely to be much lower than seen in recent years. It remains imperative that Reserve funds remain at a healthy level to withstand several years of economic distress to protect the educational program for our students.

- General Brown, like many school Districts across the state, is experiencing a shortage of certified teachers in areas such as library, Science, technology, English and Special Education. This threatens the mission of the District as the District prepares students to meet the challenges of college and/or career.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the School Business Official at the following address: General Brown Central School District, PO Box 500, Dexter, New York, 13634.

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STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS		
Cash and Cash Equivalents		
Unrestricted	$	3,409,118
Restricted		3,838,710
Receivables		
State and Federal Aid		845,490
Due from Fiduciary Funds		8,012
Other		15,586
Inventories		14,706
Prepaid Expenditures		13,802
Capital Assets, Net		29,391,702
Net Pension Asset - Proportionate Share		327,694
TOTAL ASSETS	$	37,864,820
DEFERRED OUTFLOW OF RESOURCES		
Other Postemployment Benefits	$	1,265,756
Pensions		5,186,273
Deferred Charge on Bond Refunding		419,203
TOTAL DEFERRED OUTFLOW OF RESOURCES	$	6,871,232
LIABILITIES		
Payables		
Accounts Payable	$	301,840
Accrued Liabilities		41,459
Due to Other Governments		206
Accrued Interest on Bonds Payable		23,821
Due to Teachers' Retirement System		735,703
Due to Employees' Retirement System		113,643
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		927,056
Capital Lease Obligation		110,313
Compensated Absences Payable		188,595
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		6,966,445
Capital Lease Obligation		1,714,646
Compensated Absences Payable		87,267
Other Postemployment Benefits Payable		59,771,259
Net Pension Liability - Proportionate Share		268,022
TOTAL LIABILITIES	$	71,250,275
DEFERRED INFLOW OF RESOURCES		
Other Postemployment Benefits	$	7,209,409
Pensions		1,848,353
TOTAL DEFERRED INFLOW OF RESOURCES	$	9,057,762
NET POSITION		
Net Investment in Capital Assets	$	19,673,242
Restricted		
Debt Service		71,880
Other Legal Restrictions		3,766,945
Unrestricted (Deficit)		(59,084,052)
TOTAL NET POSITION	$	(35,571,985)

See notes to audited basic financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General Support	$ 2,895,542	$ -	$ -	$ (2,895,542)
Instruction	19,661,783	48,711	946,301	(18,666,771)
Pupil Transportation	1,855,535	-	-	(1,855,535)
Debt Service - Interest	271,277	-	-	(271,277)
School Food Service Program	723,857	242,415	379,157	(102,285)
Total Functions and Programs	$ 25,407,994	$ 291,126	$ 1,325,458	(23,791,410)
GENERAL REVENUES				
Real Property Taxes				6,847,603
Other Tax Items				886,958
Use of Money and Property				34,787
Sale of Property and Compensation for Loss				7,489
Miscellaneous				382,504
State Sources				14,368,194
Medicaid Reimbursement				53,119
Federal Sources				37,796
Total General Revenues				22,618,450
Change in Net Position				(1,172,960)
Net Position - Beginning of Year, As Restated				(34,399,025)
Net Position - End of Year				$ (35,571,985)

See notes to audited basic financial statements.

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects Fund - District Wide
ASSETS		
Cash and Cash Equivalents		
Unrestricted	$ 3,190,294	$ 129,188
Restricted	2,825,724	941,115
Receivables		
State and Federal Aid	632,756	-
Due from Other Funds	312,021	106
Due from Fiduciary Funds	8,012	-
Other	14,566	-
Inventories	-	-
Prepaid Expenditures	13,802	-
TOTAL ASSETS	$ 6,997,175	$ 1,070,409
LIABILITIES		
Payables		
Accounts Payable	$ 109,288	$ 129,188
Accrued Liabilities	33,145	-
Due to Other Governments	-	-
Compensated Absences Payable	188,595	-
Due to Other Funds	8,127	-
Due to Teachers' Retirement System	735,703	-
Due to Employees' Retirement System	113,643	-
Total Liabilities	1,188,501	129,188
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenues	-	-
Total Deferred Inflows of Resources	-	-
FUND BALANCES		
Nonspendable	13,802	-
Restricted	2,825,724	941,221
Assigned	953,134	-
Unassigned (Deficit)	2,016,014	-
Total Fund Balance (Deficit)	5,808,674	941,221
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,997,175	$ 1,070,409

Special Aid	Non-Major Funds	Total Governmental Funds
$ 49,354	$ 40,282	$ 3,409,118
-	71,871	3,838,710
127,082	85,652	845,490
-	9	312,136
-	-	8,012
-	1,020	15,586
-	14,706	14,706
-	-	13,802
$ 176,436	$ 213,540	$ 8,457,560
$ -	$ 63,364	$ 301,840
-	8,314	41,459
-	206	206
-	-	188,595
176,431	127,578	312,136
-	-	735,703
-	-	113,643
176,431	199,462	1,693,582
-	62,431	62,431
-	62,431	62,431
-	-	13,802
-	71,880	3,838,825
5	-	953,139
-	(120,233)	1,895,781
5	(48,353)	6,701,547
$ 176,436	$ 213,540	$ 8,457,560

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balance - Governmental Funds			$ 6,701,547
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.			
	Net Pension Asset - Proportionate Share - TRS		327,694
	Net Pension Liability - Proportionate Share - ERS		(268,022)
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements and consist of:			
	Other Postemployment Benefits	$ 7,209,409	
	Pensions	1,848,353	(9,057,762)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements and consist of:			
	Other Postemployment Benefits	$ 1,265,756	
	Pension	5,186,273	
	Deferred Charge on Refunding	419,203	6,871,232
Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas, the Statement of Activities reports revenues when earned. Therefore, deferred inflows of resources are not reported on the Statement of Net Position.			62,431
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:			
	The Cost of Capital Assets is	$ 51,168,052	
	Accumulated Depreciation is	(21,776,350)	29,391,702

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – CONTINUED

June 30, 2018

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:

Bonds Payable	$ 7,560,000	
Capital Lease Obligation	1,824,959	
Accrued Interest on Bonds Payable	23,821	
Compensated Absences Payable	87,267	
Other Postemployment Benefits Payable	59,771,259	
Premium on Bond Issue	333,501	(69,600,807)
Total Net Position - Governmental Activities		$ (35,571,985)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects Fund - District Wide
REVENUES		
Real Property Taxes	$ 6,847,603	$ -
Other Tax Items	886,958	-
Charges for Services	48,711	-
Sale of Property and Compensation for Loss	7,489	-
Use of Money and Property	34,669	-
Miscellaneous	382,504	-
State Sources	13,322,202	-
Federal Sources	37,796	-
Medicaid Reimbursement	53,119	-
Surplus Food	-	-
Sales (School Food Service)	-	-
Total Revenues	21,621,051	-
EXPENDITURES		
General Support	2,020,316	-
Instruction	11,127,182	-
Pupil Transportation	911,773	-
Employee Benefits	4,936,406	-
Debt Service:		
Principal	941,126	-
Interest	288,453	-
Cost of Sales	-	-
Capital Outlay	-	558,779
Total Expenditures	20,225,256	558,779
Excess (Deficiency) of Revenues Over Expenditures	1,395,795	(558,779)
OTHER FINANCING SOURCES AND (USES)		
Operating Transfers In	8,000	-
Operating Transfers (Out)	(447,651)	-
Total Other Financing Sources and (Uses)	(439,651)	-
Net Change in Fund Balance	956,144	(558,779)
Fund Balances - Beginning of Year	4,852,530	1,500,000
Fund Balances (Deficits) - End of Year	$ 5,808,674	$ 941,221

Special Aid	Non-Major Funds	Total Governmental Funds
$ -	$ -	$ 6,847,603
-	-	886,958
-	-	48,711
-	-	7,489
-	118	34,787
-	13,390	395,894
302,402	995,437	14,620,041
643,899	329,365	1,011,060
-	-	53,119
-	37,916	37,916
-	229,025	229,025
946,301	1,605,251	24,172,603
1,423	277,551	2,299,290
747,905	-	11,875,087
12,273	-	924,046
201,213	159,779	5,297,398
-	-	941,126
-	-	288,453
-	286,527	286,527
-	1,556,300	2,115,079
962,814	2,280,157	24,027,006
(16,513)	(674,906)	145,597
16,514	431,137	455,651
-	(8,000)	(455,651)
16,514	423,137	-
1	(251,769)	145,597
4	203,416	6,555,950
$ 5	$ (48,353)	$ 6,701,547

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds			$ 145,597
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 Net Position, assets with an initial cost of more than $25,000 for buildings or improvements and $3,000 for furniture and equipment, are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:			
	Capital Outlays	$ 2,202,868	
	Depreciation Expense	(1,240,271)	962,597
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.			860,000
Repayment of the capital lease obligation is recorded as an expenditure in the governmental funds, but reduces the long-term liability in the Statement of Net Position. This is the amount of the capital lease obligation payments made in the current period.			81,126
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest expense reported in the Statement of Activities is decreased by the reduction in accrued interest on debt and amortization of premium on bond issue.			17,176
In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) - are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			(11,035)

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES - CONTINUED

Year Ended June 30, 2018

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long term revenue differences relating to Smart School Bond Funding is reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.			62,431
On the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits.			(3,170,375)
(Increases) decreases in proportionate share of net pension asset/liability and related deferred outflows/inflows 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	$	(129,574)	
Employees' Retirement System		9,097	(120,477)
Change in Net Position of Governmental Activities			$ (1,172,960)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Cash and Cash Equivalents		
Unrestricted	$ 4,303	$ 162,922
Total Assets	$ 4,303	$ 162,922
LIABILITIES		
Extra Classroom Activity Balances	$ -	$ 82,171
Due to Governmental Funds	-	8,012
Other Liabilities	-	72,739
Total Liabilities	-	$ 162,922
NET POSITION		
Restricted for Scholarships	$ 4,303	

See notes to audited basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

	Private Purpose Trusts
ADDITIONS	
Gifts and Contributions	$ 5,350
Interest	2
Total Additions	5,352
DEDUCTIONS	
Scholarships and Awards	57,355
Transfer to NNY Community Foundation	3,633
Total Deductions	60,988
Change in Net Position	(55,636)
Net Position - Beginning of Year	59,939
Net Position - End of Year	$ 4,303

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of General Brown Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

Reporting Entity

The General Brown 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 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom 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 Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

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

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

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

During the year, the District was billed $3,759,566 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $1,150,587. This represents state aid distributions of $923,348 and 2017 fund balance returned to schools of $227,239.

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

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

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

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 non-major funds.

The District reports the following governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

> Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.
>
> School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

Capital Projects Funds: These funds are used to account for the financial resources used for the acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

> Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits 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 an agent for various student groups or Extra Classroom Activity Funds and for payroll or employee withholding.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - 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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 14, 2017. Taxes are collected during the period September 1, 2017 to November 3, 2017.

Uncollected real property taxes are subsequently enforced by the County of Jefferson, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

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 the associated legal requirements, many of which are described elsewhere in these Notes.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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 expenditure 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, with the exception of those due from or to the fiduciary 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 12 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Estimates

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

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 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents - Continued

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.

Accounts Receivable

Accounts receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories

Inventories of food in the School Food Service Fund 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 inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures. In the current period the portion of the School Food Service Fund balance reported in this category was limited by the total fund balance available.

Prepaid Items

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are reported at actual cost or estimated historical costs. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	$ 25,000	SL	50 Years
Building Improvements	25,000	SL	50 Years
Furniture and Equipment	3,000	SL	5 - 20 Years

The District does not possess any infrastructure.

Deferred Outflows and Inflows of Resources

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-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. The third item is the District contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources - Continued

In addition to liabilities, the *Statement of Net Position* or Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as unavailable revenue – Smart Schools – grant monies. This represents a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-wide Statement of Activities. 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 periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits - Continued

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

Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is 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.

Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt - Continued

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 BAN's issued for capital purposes are converted to long-term financing within five years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

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, 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.

Equity Classifications

District-Wide Statements

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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

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

Fund Statements

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of $0. (The School Food Service Fund had $14,706 of actual inventories on hand as of June 30, 2018. (The nonspendable portion is limited by the available fund balance.)

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

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established to retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Retirement Contributions

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Unemployment Insurance

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

Workers' Compensation

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. This reserve is accounted for in the General Fund.

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. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the General Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Employee Benefit Accrued Liability

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

Restricted fund balance includes the following:

General Fund:		
Employee Benefit Accrued Liability	$	223,800
Retirement Contributions		1,350,419
Workers' Compensation		267,563
Unemployment Insurance		233,942
Capital Reserve		750,000
Debt Service Fund		71,880
Capital Projects Fund		941,221
Total Restricted Funds	$	3,838,825

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

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Unassigned Fund Balance

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

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, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards

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

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018.

Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards - Continued

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

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.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide statements, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS – Continued

Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences:

   Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences:

   Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences:

   Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences:

   Pension differences occur as a result of changes in the District's proportion of the collective net pension asset (liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 19 for the financial statement impact of the implementation of the statement.

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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 restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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 project 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continued

Budgets – Continued

Special Revenue Funds have not been included in comparison because they do not have a legally authorized (appropriated) budget.

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 restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Other

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include purchasing buses from fund balances, and appropriating funds for the situations regarding the health and safety of District students and employees. The District is also planning to spend down the unassigned fund balance by appropriating the District's portion of an upcoming BOCES capital project to next year's budget.

The School Food Service Fund shows an unassigned fund balance deficit of $57,802. This deficit results from increasing food prices and food requirements as a result of the Health, Hungry-Free Kids Act. Beginning with the 2015-16 fiscal year, the Board of Education approved a five-year General Fund subsidization plan to mitigate future losses and eliminate the deficit.

The Capital Projects Fund – Smart Schools shows an unassigned fund balance deficit of $62,431. This will be eliminated when the District receives funding from the Smart Schools Bond Act.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5- CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$ 6,878,465

Deposits at year-end were fully collateralized.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $3,838,710 within the governmental funds.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - RECEIVABLES

Receivables at year-end are as follows:

Description	General	Capital - Smart Schools	Special Aid	School Food Service	Total
State and Federal	$ 632,756	$ 62,431	$ 127,082	$ 23,221	$ 845,490
Other	14,566	-	-	1,020	15,586
Total	$ 647,322	$ 62,431	$ 127,082	$ 24,241	$ 861,076

District management has deemed the amounts to be fully collectible.

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	$ 160,983	$ -	$ -	$ 160,983
Construction in Progress	1,701,914	1,808,942	(1,906,085)	1,604,771
Total Nondepreciable Assets	1,862,897	1,808,942	(1,906,085)	1,765,754
Capital Assets That Are Depreciated:				
Buildings & Improvements	42,282,121	-	1,906,085	44,188,206
Vehicles, Furniture and Equipment	5,059,164	393,926	(238,998)	5,214,092
Total Depreciable Assets	47,341,285	393,926	1,667,087	49,402,298
Less: Accumulated Depreciation				
Buildings & Improvements	17,459,712	880,459	-	18,340,171
Vehicles, Furniture and Equipment	3,315,365	359,812	(238,998)	3,436,179
Total Accumulated Depreciation	20,775,077	1,240,271	(238,998)	21,776,350
Total Depreciated Assets, Net	26,566,208	(846,345)	1,906,085	27,625,948
Capital Assets, Net	$ 28,429,105	$ 962,597	$ -	$ 29,391,702

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - CAPITAL ASSETS – Continued

Depreciation expense was charged to governmental functions as follows:

General Support	$	154,981
Instruction		800,427
Pupil Transportation		284,863
	$	1,240,271

NOTE 8 - SHORT-TERM DEBT OBLIGATIONS

There were no short-term debt financing transactions during the year ended June 30, 2018.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	$ 8,420,000	$ -	$ 860,000	$ 7,560,000	$ 890,000
Premium on Bonds	370,557	-	37,056	333,501	37,056
Capital Lease Obligation	1,906,085	-	81,126	1,824,959	110,313
Total Bonds & Notes Payable	10,696,642	-	978,182	9,718,460	1,037,369
Other Liabilities					
Net Pension Liability - Proportionate Share	1,204,741	-	936,719	268,022	-
Compensated Absences Payable	76,232	11,035	-	87,267	-
Other Postemployment Benefits Liability, as Restated	63,714,729	-	3,943,470	59,771,259	-
Total Other Liabilities	64,995,702	11,035	4,880,189	60,126,548	-
Total Governmental Activities	$ 75,692,344	$ 11,035	$ 5,858,371	$ 69,845,008	$ 1,037,369

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

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bonds	11/1/11	6/15/27	3.125-4%	$ 855,000
Serial Bonds - Refunding	6/2/16	6/15/27	2-4%	6,705,000
				$ 7,560,000

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - LONG-TERM DEBT OBLIGATIONS - Continued

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2019	$ 890,000	$ 192,356	$ 1,082,356
2020	915,000	164,938	1,079,938
2021	945,000	128,338	1,073,338
2022	980,000	99,438	1,079,438
2023	1,000,000	79,838	1,079,838
2024-2027	2,830,000	122,550	2,952,550
Total	$ 7,560,000	$ 787,458	$ 8,347,458

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

Interest Paid	$ 288,453
Plus: Amortized Premium on Serial Bonds/Deferred Charge on Refunding	9,522
Less: Interest Accrued in the Prior Year	(50,519)
Plus: Interest Accrued in the Current Year	23,821
Total Expense	$ 271,277

Advanced Refunding and Defeased Bond

In prior years, the District defeased certain general obligations and other bonds by placing 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. Bonds outstanding in the amount of $6,535,000 are considered defeased.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – CAPITAL LEASE OBLIGATION

On August 22, 2016, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Key Government Finance. The project includes energy efficient improvements to the heating system and district-wide lighting improvements. The estimated value of the capital improvements at completion of the project and at the inception of the lease is $1,906,085. The project was completed as of June 30, 2018 and resulted in $1,906,085 of construction costs being capitalized in the current year as assets placed in service. Balance of the long-term liability at June 30, 2018 is $1,824,959. The capital lease obligation is amortized at an implicit interest rate of approximately 2.5%.

The future minimum obligations under the capital lease at June 30, 2018 is as follows:

	Principal	Interest	Total
2019	$ 110,313	$ 44,634	$ 154,947
2020	113,095	41,817	154,912
2021	115,948	38,929	154,877
2022	118,872	35,968	154,840
2023	121,870	32,932	154,802
2024-2028	657,031	116,376	773,407
2029-2031	587,830	30,112	617,942
Total	$ 1,824,959	$ 340,768	$ 2,165,727

NOTE 11 - PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

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

Employees' Retirement System (ERS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2017 is 1.2% compared to 1.0% paid beginning September 2016. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

NOTE 11 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for I 0 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

Funding Policies

The Systems are noncontributory for the employees who joined prior to 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% to 3.5% of their salary for the 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 to 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 chose to prepay the required contributions by December 15, 2017 and received an overall discount of $2,897.

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2017-2018	$ 800,692	$ 341,119
2016-2017	890,810	316,581
2015-2016	1,094,569	346,976

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

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

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

	ERS	**TRS**
Measurement Date	March 31, 2018	June 30, 2017
District's Proportionate Share of the Net Pension Asset (Liability)	$ (268,022)	$ 327,694
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0083045%	0.043112%
Change in Proportion % Since the Prior Measurement Date	0.0004454%	-0.000424%

For the year ended June 30, 2018, the District's recognized pension expense (credit) of ($9,097) for ERS and $129,574 for TRS.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

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

At June 30, 2018 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 Expected and Actual Experience	$ 95,595	$ 269,612	$ 78,996	$ 127,764
Changes of Assumptions	177,721	3,334,355	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	389,281	-	768,402	771,815
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	39,532	76,577	4,476	96,900
District's Contributions Subsequent to the Measurement Date	113,643	689,957	-	-
Total	$ 815,772	$ 4,370,501	$ 851,874	$ 996,479

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2019, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2019	$ 67,464	$ 71,627
2020	51,289	877,963
2021	(185,835)	627,089
2022	(82,663)	152,513
2023	-	625,252
Thereafter	-	329,621

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	**TRS**
Measurement Date	March 31, 2018	June 30, 2017
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Interest Rate	7.0%	7.25%
Salary Scale	3.8%	1.9% - 4.72%
Decrement Tables	April 1, 2010 -	July 1, 2009 -
	March 31, 2015	June 30, 2014
	System's Experience	System's Experience
Inflation Rate	2.5%	2.5%

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

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

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

Actuarial Assumptions - Continued

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

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
Asset Type		
Domestic Equity	4.55%	5.90%
International Equity	6.35%	7.40%
Private Equity	7.50%	
Real Estate	5.55%	4.30%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Alternative Investments		9.00%
Domestic Fixed Income Securities		1.60%
Global Fixed Income Securities		1.30%
Short-Term		60.00%
Mortgages		2.80%
High-Yield Fixed income Securities		3.90%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% 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 determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% 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-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Asset (Liability)	$ (2,027,928)	$ (268,022)	$ 1,220,788

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's Proportionate Share of the Net Pension Asset (Liability)	$ (5,645,205)	$ 327,694	$ 5,329,701

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (liability) of the employers as of the respective measurement dates were as follows:

		(In thousands)	
	ERS	TRS	Total
Valuation Date	March 31, 2018	June 30, 2017	
Employer's Total Pension Asset (Liability)	$ (183,400,590)	$ (114,708,261)	$ (298,108,851)
Plan Net Position	180,173,145	115,468,360	295,641,505
Employer's Net Pension Asset (Liability)	$ (3,227,445)	$ 760,099	$ (2,467,346)
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	98.24%	100.66%	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $113,643 of employer contributions Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $735,703.

NOTE 12 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2018 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	$ 320,033	$ 8,127	$ 8,000	$ 447,651
Special Aid	-	176,431	16,514	-
School Food Service	-	127,578	125,000	-
Debt Service	9	-	-	8,000
Capital Projects	106	-	306,137	-
Total Government Activities	320,148	312,136	455,651	455,651
Fiduciary	-	8,012	-	-
Total	$ 320,148	$ 320,148	$ 455,651	$ 455,651

The District typically loans resources between funds for the purpose of mitigating the effects of cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2018:

Fund Balances	General	Capital Projects Fund - District Wide	Special Aid	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Prepaids	$ 13,802	$ -	$ -	$ -	$ 13,802
Restricted					
Employee Benefit Accrued Liability	223,800	-	-	-	223,800
Unemployment Insurance	233,942	-	-	-	233,942
Retirement Contributions	1,350,419	-	-	-	1,350,419
Workers' Compensation	267,563	-	-	-	267,563
Capital Reserve	750,000	-	-	-	750,000
Debt Service	-	-	-	71,880	71,880
Capital Projects	-	941,221	-	-	941,221
Assigned					
General Support	21,839	-	-	-	21,839
Instruction	19,220	-	-	-	19,220
Pupil Transportation	2,075	-	-	-	2,075
Designated for Next Fiscal Year	910,000	-	-	-	910,000
Special Aid Fund	-	-	5	-	5
Unassigned					
General Fund	2,016,014	-	-	-	2,016,014
Capital Fund	-	-	-	(62,431)	(62,431)
School Food Service	-	-	-	(57,802)	(57,802)
Total Governmental Fund Balance	$ 5,808,674	$ 941,221	$ 5	$ (48,353)	$ 6,701,547

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time 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 benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	124
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	194
	318

The District participates in the Jefferson-Lewis et. al. Employees' Healthcare Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

Eligible administrators are those who are at least age 55 with 5 years of service. Eligible teachers and non-instructional employees are those who are at least age 55 with 15 years of service. Employees must also be eligible to retire under the ERS or TRS.

Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 100% of the plan premium.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

General Information about the OPEB Plan - Continued

Administrative participants retired after July 1, 2007 contribute 10% plus a percentage of the remaining 90% of the premium, based on years of service at retirement as follows: Single coverage – 50% if retire with 5 years of service, 45% if retire with 6 years of service, 40% if retire with 7 years of service, 35% if retire with 8 years of service, 25% if retire with 9 years of service and 10% if retire with 10 or more years of service. Family coverage – 65% if retire with 5 years of service, 55% if retire with 6 years of service, 50% if retire with 7 years of service, 45% if retire with 8 years of service, 35% if retire with 9 years of service and 10% if retire with 10 or more years of service.

All other participants retired after July 1, 1990 contribute 10% plus a percentage of the remaining 90% of the premium, based on years of service at retirement as follows: 50% if retire with 15 years of service, 40% if retire with 16 years of service, 30% if retire with 17 years of service, 20% if retire with 18 years of service, 10% if retire with 19 years of service and 0% if retire with 20 or more years of service. All dependents pay the same percentage contribution as the retiree. Participants retired prior to July 1, 1990 have varying contributions.

Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees and dependents.

Retiree medical and prescription drug benefits are provided through the Provider Choice POS Plan and the Traditional Plan.

The Traditional Plan is a self-insured indemnity plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

The Provider Choice POS Plan is a self-insured POS plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2018 which indicated that the total liability for other postemployment benefits is $59,771,259 which is reflected in the Statement of Net Position.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability

The OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	
Measurement Date	6/30/2017
Rate of Compensation Increase	3.50%
Inflation Rate	2.25%
Discount Rate	3.56%
Assumed Pre-65 Medical Trend Rates at June 30	
Health care cost trend rate assumed for next fiscal year	7.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075
Assumed Post-65 Medical Trend Rates at June 30	
Health care cost trend rate assumed for next fiscal year	6.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075
Assumed Prescription Drug Trend Rates at June 30	
Health care cost trend rate assumed for next fiscal year	10.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075
Assumed Medicare Part B Trend Rates at June 30	
Health care cost trend rate assumed for next fiscal year	4.60%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability - Continued

Additional Information	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in years)	8.75
Method used to determine Actuarial Value of Assets	N/A

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index as of June 30, 2017.

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

Changes in the Total OPEB Liability

Balance at June 30, 2017, as Restated	$ 63,714,729
Changes for the Year	
Service Cost	2,519,186
Interest	1,916,945
Changes of Assumptions or Other Inputs	(7,209,409)
Benefit Payments	(1,170,192)
Net Changes	(3,943,470)
Balance at June 30, 2018	$ 59,771,259

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability - Continued

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent on July 1, 2016 to 3.56 percent as of June 30, 2017.

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

	1% Decrease 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	$ 71,547,731	$ 59,771,259	$ 50,456,328

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 (2.886 percent) or 1 percentage point higher (4.886 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.886%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.886%)	1% Increase (Trend Plus 1% Decreasing to 4.886%)
Total OPEB Liability	$ 49,434,984	$ 59,771,259	$ 73,364,155

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

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

For the year ended June 30, 2018, the District recognized OPEB expense of $3,170,375. At June 30, 2018, 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 or Other Inputs	$ -	$ 7,209,409
Benefit Payments Subsequent to the Measurement Date	1,265,756	-
	$ 1,265,756	$ 7,209,409

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

Fiscal Year Ending June 30,	
2019	$ (823,932)
2020	(823,932)
2021	(823,932)
2022	(823,932)
2023	(823,932)
Thereafter	(3,089,749)
	$ (7,209,409)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 - RISK MANAGEMENT

General

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

Consortiums and Self-Insured Plans

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to $750,000 per insured event. The pool obtains independent coverage for insured events in excess of the $750,000 limit and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is $-0-.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2017, the District was served a Notice of Claim pertaining to an incident involving a specific student. This action has not been settled, but the District does not expect to incur any significant financial impact.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 17 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of Scholarships. During 2016, the majority of the funds were transferred to the Northern New York Community Foundation for continued conduct of the charitable activities supported thereby pursuant to the terms of the written agreements.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District. When approved for expenditure, such funds are returned to the District from Northern New York Community Foundation to be dispersed.

NOTE 18 – TAX ABATEMENT

The District uses a property tax abatement agreement with local businesses. The local businesses entered into agreements directly with local tax jurisdictions within Jefferson County for tax abatement. The purpose of the Payment in Lieu of Taxes (PILOT) agreements are to provide real property tax abatement for value added by construction or renovations.

The District has three PILOT agreements executed through the Jefferson County Industrial Development Agency (JCIDA). The agreements span for a period of 10 -15 years. As each PILOT agreement matures, the percentage of tax abatement decreases and the PILOT payment to the District increases. At the end of each PILOT agreement, the property will be placed back on the tax roll. The Scholastic Structures Agreement will end in 2021. The ARCFEWTRNY (FedEx) Agreement will end in 2024 and the Aviagen Agreement will end in 2030.

For the fiscal year ended June 30, 2018, the District's portion of the PILOT was approximately $55,000 and the District abated the following taxes:

Company	Agreement Date	2017 % Abated	Taxable Value of Project	(A) Abated Total	(B) Approximate Tax Rate %	(A) * (B) Approximate Taxes Forgone
Scholastic Structures	3/1/2006	25%	$ 309,000	$ 77,250	17.11	$ 1,322
ARCFEWTRNY	3/1/2015	45%	4,909,500	2,209,275	17.11	37,800
Avaigen of North America	3/1/2016	75%	850,000	637,500	17.11	10,908
					Total	$ 50,030

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 19 – RESTATEMENT OF NET POSITION

Due to the District's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior-period adjustment of $43,358,418 must be made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of July 1, 2017. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the District's beginning of year net position due to the GASB 75 implementation:

Net Position Beginning of Year, as Previously Stated	$ 8,959,393
GASB Statement No. 75 Adjustments	
Net Increase in TOTAL OPEB Liability - GASB 75 Implementation	(44,528,610)
Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to Measurement Date	1,170,192
Net Position Beginning of Year, as Restated	$ (34,399,025)

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 24, 2018, which is the date of the issuance of the financial statements.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

Total OPEB Liability	
Service Cost	$ 2,519,186
Interest	1,916,945
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	(7,209,409)
Benefit Payments	(1,170,192)
Net Change in Total OPEB Liability	(3,943,470)
Total OPEB Liability - Beginning, as Restated	63,714,729
Total OPEB Liability - Ending	$ 59,771,259
Covered Payroll	$ 8,635,537
Total OPEB Liability as a Percentage of Covered Payroll	692.15%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND

Year Ended June 30, 2018

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	$ 7,670,718	$ 7,670,718
Other Tax Items	42,000	42,000
Charges for Services	6,100	6,100
Use of Money and Property	16,250	16,250
Sale of Property and Compensation for Loss	1,350	1,350
Miscellaneous	179,000	179,000
Total Local Sources	7,915,418	7,915,418
State Sources	13,335,510	13,335,510
Federal Sources	50,000	50,000
Medicaid Reimbursement	40,000	40,000
Total Revenues	21,340,928	21,340,928
OTHER FINANCING SOURCES		
Operating Transfers In	8,000	8,000
Total Revenue and Other Financing Sources	21,348,928	21,348,928
EXPENDITURES		
General Support		
Board of Education	16,437	19,693
Central Administration	198,600	189,321
Finance	268,839	297,180
Staff	97,000	99,163
Central Services	1,398,666	1,286,621
Special Items	423,400	423,400
Total General Support	2,402,942	2,315,378
Instruction		
Instruction, Administration and Improvement	719,845	825,270
Teaching-Regular School	6,102,080	5,875,732
Programs for Children with Handicapping Conditions	2,532,245	2,759,417
Occupational Education	670,000	670,000
Instructional Media	831,818	802,135
Pupil Services	699,478	710,478
Total Instruction	11,555,466	11,643,032
Pupil Transportation	1,037,601	1,037,600
Employee Benefits	5,711,195	5,687,579
Debt Service	1,228,976	1,252,591
Total Expenditures	21,936,180	21,936,180
OTHER FINANCING USES		
Transfers to Other Funds	468,500	468,500
Total Expenditures and Other Financing Uses	22,404,680	22,404,680
Net Change in Fund Balance	(1,055,752)	(1,055,752)
Fund Balance - Beginning	4,852,530	4,852,530
Fund Balance - Ending	$ 3,796,778	$ 3,796,778

Actual	Final Budget Variance With Actual
$ 6,847,603	$ (823,115)
886,958	844,958
48,711	42,611
7,489	(8,761)
34,669	33,319
382,504	203,504
8,207,934	292,516
13,322,202	(13,308)
37,796	(12,204)
53,119	13,119
21,621,051	280,123
8,000	-
21,629,051	$ 280,123

	Year-End Encumbrances	Final Budget Variance with Actual And Encumbrances
16,109	$ 358	$ 3,226
172,139	-	17,182
287,698	100	9,382
83,315	-	15,848
1,063,001	21,381	202,239
398,054	-	25,346
2,020,316	21,839	273,223
738,398	200	86,672
5,761,111	8,036	106,585
2,618,803	668	139,946
657,648	-	12,352
714,567	1,134	86,434
636,655	9,182	64,641
11,127,182	19,220	496,630
911,773	2,075	123,752
4,936,406	-	751,173
1,229,579	-	23,012
20,225,256	43,134	1,667,790
447,651	-	20,849
20,672,907	$ 43,134	$ 1,688,639
956,144		
4,852,530		
$ 5,808,674		

Note To Required Supplementary Information: Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN LAST FOUR FISCAL YEARS

Ended June 30, 2018

Teachers' Retirement System (TRS)

	2018	2017	2016	2015
District's Proportion of the Net Pension Asset (Liability)	0.043112%	0.043536%	0.041567%	0.042664%
District's Proportionate Share of the Net Pension Asset (Liability)	$ 327,694	$ (466,287)	$ 4,317,520	$ 4,752,508
District's Covered Payroll	$ 6,996,232	$ 6,469,904	$ 6,338,829	$ 6,705,272
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	4.68%	7.21%	68.11%	70.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System (ERS)

	2018	2017	2016	2015
District's Proportion of the Net Pension Asset (Liability)	0.0083045%	0.0078591%	0.0078141%	0.0082311%
District's Proportionate Share of the Net Pension Asset (Liability)	$ (268,022)	$ (738,454)	$ (1,254,183)	$ (278,066)
District's Covered Payroll	$ 2,272,407	$ 2,046,302	$ 1,980,145	$ 2,059,208
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	11.79%	36.09%	63.34%	13.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS
Ended June 30, 2018

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
Contractually Required Contribution	$ 800,692	$ 890,810	$ 1,094,569	$ 1,024,098
Contributions in Relation to the Contractually Required Contribution	800,692	890,810	1,094,569	1,024,098
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 6,996,232	$ 6,469,904	$ 6,338,829	$ 6,705,272
Contributions as a Percentage of Covered Payroll	11.4%	13.8%	17.3%	15.3%
Employees' Retirement System (ERS)				
Contractually Required Contribution	$ 341,119	$ 316,581	$ 346,976	$ 411,477
Contributions in Relation to the Contractually Required Contribution	341,119	316,581	346,976	411,477
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,272,407	$ 2,046,302	$ 1,980,145	$ 2,059,208
Contributions as a Percentage of Covered Payroll	15.01%	15.5%	17.5%	20.0%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND

Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 22,253,928
Add: Prior Year's Encumbrances	150,752
Original Budget	22,404,680
Budget Revision	-
Final Budget	$ 22,404,680

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 Voter Approved Expenditure Budget		$ 22,849,750
Maximum Allowed 4% of 2018 - 2019 Budget		$ 913,990
General Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 953,134	
Unassigned Fund Balance	2,016,014	
Total Unrestricted Fund Balance	2,969,148	
Less:		
Appropriated Fund Balance	910,000	
Encumbrances Included in Assigned Fund Balance	43,134	
Total Adjustments	953,134	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 2,016,014
Actual Percentage		8.82%

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2018

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures: Prior Year	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds Of Obligations	Methods of Financing: State Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance (Deficit) 6/30/2018
Capital Project - District Wide	$ 9,400,000	$ 9,400,000	$ -	$ 558,779	$ 558,779	$ 8,841,221	$ -	$ -	$ 1,500,000	$ 1,500,000	$ 941,221
Smart Schools Project	1,251,976	1,251,976	-	1,045,992	1,045,992	205,984	-	983,561	-	983,561	(62,431)
Energy Performance	1,906,085	1,906,085	1,701,914	204,171	1,906,085	-	1,906,085	-	-	1,906,085	-
Buses	313,500	313,500	-	306,137	306,137	7,363	-	-	306,137	306,137	-
Total	$ 12,871,561	$ 12,871,561	$ 1,701,914	$ 2,115,079	$ 3,816,993	$ 9,054,568	$ 1,906,085	$ 983,561	$ 1,806,137	$ 4,695,783	$ 878,790

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	School Food Service	Debt Service
ASSETS		
Cash and Cash Equivalents		
Unrestricted	$ 40,282	$ -
Restricted	-	71,871
Receivables		
State and Federal Aid	23,221	-
Due from Other Funds	-	9
Other	1,020	-
Inventories	14,706	-
TOTAL ASSETS	$ 79,229	$ 71,880
LIABILITIES		
Payables		
Accounts Payable	$ 933	$ -
Accrued Liabilities	8,314	-
Due to Other Governments	206	-
Due to Other Funds	127,578	-
Total Liabilities	137,031	-
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenues	-	-
Total Deferred Inflows of Resources	-	-
FUND BALANCES		
Nonspendable	-	-
Restricted	-	71,880
Assigned	-	-
Unassigned (Deficit)	(57,802)	-
Total Fund Balances (Deficits)	(57,802)	71,880
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 79,229	$ 71,880

Capital Project - Smart Schools	Capital Project - Energy Performance	Capital Project - Bus Purchase	Total Non-Major Funds
$ -	$ -	$ -	$ 40,282
-	-	-	71,871
62,431	-	-	85,652
-	-	-	9
-	-	-	1,020
-	-	-	14,706
$ 62,431	$ -	$ -	$ 213,540
$ 62,431	$ -	$ -	$ 63,364
-	-	-	8,314
-	-	-	206
-	-	-	127,578
62,431	-	-	199,462
62,431	-	-	62,431
62,431	-	-	62,431
-	-	-	-
-	-	-	71,880
-	-	-	-
(62,431)	-	-	(120,233)
(62,431)	-	-	(48,353)
$ 62,431	$ -	$ -	$ 213,540

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	School Food Service	Debt Service
REVENUES		
Use of Money and Property	$ 3	$ 115
Miscellaneous	13,390	-
State Sources	11,876	-
Federal Sources	329,365	-
Surplus Food	37,916	-
Sales (School Food Service)	229,025	-
Total Revenues	621,575	115
EXPENDITURES		
General Support	277,551	-
Employee Benefits	159,779	-
Cost of Sales	286,527	-
Capital Outlay	-	-
Total Expenditures	723,857	-
Excess (Deficiency) of Revenues Over Expenditures	(102,282)	115
OTHER FINANCING SOURCES AND (USES)		
Operating Transfers In	125,000	-
Operating Transfers (Out)	-	(8,000)
Total Other Financing Sources and (Uses)	125,000	(8,000)
Net Change in Fund Balances (Deficits)	22,718	(7,885)
Fund Balances (Deficits) - Beginning of Year	(80,520)	79,765
Fund Balances (Deficits) - End of Year	$ (57,802)	$ 71,880

Capital Project - Smart Schools	Capital Project - Energy Performance	Capital Project - Bus Purchase	Total Non-Major Funds
$ -	$ -	$ -	$ 118
-	-	-	13,390
983,561	-	-	995,437
-	-	-	329,365
-	-	-	37,916
-	-	-	229,025
983,561	-	-	1,605,251
-	-	-	277,551
-	-	-	159,779
-	-	-	286,527
1,045,992	204,171	306,137	1,556,300
1,045,992	204,171	306,137	2,280,157
(62,431)	(204,171)	(306,137)	(674,906)
-	-	306,137	431,137
-	-	-	(8,000)
-	-	306,137	423,137
(62,431)	(204,171)	-	(251,769)
-	204,171	-	203,416
$ (62,431)	$ -	$ -	$ (48,353)

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2018

Capital Assets, Net		$ 29,391,702
Deduct:		
Premium on Bonds Payable	$ 333,501	
Short-Term Portion of Bonds Payable	890,000	
Short-Term Portion of Capital Lease Obligation	110,313	
Long-Term Portion of Bonds Payable	6,670,000	
Long-Term Portion of Capital Lease Obligation	1,714,646	9,718,460
Net Investment in Capital Assets		$ 19,673,242

See paragraph on supplementary schedule included in independent auditor's report.

FEDERAL AWARD PROGRAM INFORMATION

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INDEPENDENT AUDITOR'S 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*

TO THE BOARD OF EDUCATION
GENERAL BROWN CENTRAL SCHOOL DISTRICT

We have audited, in accordance with the auditing standards of 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 General Brown Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the General Brown Central School District's basic financial statements and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bowers & Company

Watertown, New York
September 24, 2018

BOWERS & COMPANY
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE BOARD OF EDUCATION
GENERAL BROWN CENTRAL SCHOOL DISTRICT

Report on Compliance for Each Major Federal Program

We have audited General Brown Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of General Brown Central School District's major federal programs for the year ended June 30, 2018. General Brown Central School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of General Brown Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 of U.S *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about General Brown Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of General Brown Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, General Brown Central School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of General Brown Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered General Brown Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of General Brown Central School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bowers & Company

Watertown, New York
September 24, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA Number	Agency or Pass-through Number	Expenditures
U. S. Department of Education			
Passed Through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-18-1170	$ 199,849
Special Education Cluster:			
Special Education- Grants to States (IDEA, Part B)	84.027	0032-18-0317	356,475
Special Education- Preschool Grants (IDEA Preschool)	84.173	0033-18-0317	7,372
Total Special Education Cluster			363,847
Improving Teacher Quality State Grants	84.367	0147-18-1170	39,998
Total Passed Through New York State Education Department			603,694
Direct Program:			
Title VIII- Impact Aid	84.041		37,796
Total Direct Program from U.S. Department of Education			37,796
Total U.S. Department of Education			641,490
U. S. Department of Defense			
Direct Program:			
Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556		40,205
Total U.S. Department of Defense			40,205
U. S. Department of Agriculture			
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555		37,916
Cash Assistance:			
School Breakfast Program	10.553		66,583
National School Lunch Program	10.555		262,782
Cash Assistance Subtotal			329,365
Total Child Nutrition Cluster			367,281
Total Passed Through New York State Education Department			367,281
Total U.S. Department of Agriculture			367,281
Total Federal Assistance			$ 1,048,976

See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 of U.S *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon a rate established by New York State and the District has elected to use the 10% deminimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 2 - NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted $37,916 of commodities under the National School Lunch Program (CFDA 10.555).

At June 30, 2018, the District had food commodities totaling $8,289 in inventory.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 3 – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE 4 – OTHER DISCLOSURES

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of General Brown Central School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of General Brown Central School District.
3. No instances of noncompliance material to the financial statements of General Brown Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program of General Brown Central School District.
5. The auditor's report on compliance for the major federal award program for General Brown Central School District expresses an unmodified opinion on the major federal program.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award programs for General Brown Central School District.
7. The Program tested as a major program include:

Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Food Distribution – Surplus Food	10.555

8. The threshold for distinguishing between Types A and B programs was $750,000.
9. General Brown Central School District qualifies as a low-risk auditee.

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings to report.

NOTE C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior audit findings to report.

NOTE B - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior audit findings to report.

EXTRA CLASSROOM ACTIVITY FUNDS

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INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE BOARD OF EDUCATION
GENERAL BROWN CENTRAL SCHOOL DISTRICT

Report on Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of General Brown Central School District for the year ended June 30, 2018, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of General Brown Central School District for the year ended June 30, 2018, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Bowers & Company

Watertown, New York
September 24, 2018

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2018

Account Name	Cash Balances July 1, 2017	Cash Receipts	Cash Disbursements	Cash Balances June 30, 2018
Class of:				
2017	$ 263	$ -	$ 263	$ -
2018	12,089	12,483	24,410	162
2019	2,561	9,693	9,429	2,825
2020	365	423	383	405
2021	-	8,791	4,489	4,302
2022	-	46	-	46
FCCLA	1,028	1,174	1,163	1,039
Honor Society:				
High School	708	6,253	4,661	2,300
Jr. High School	3,305	220	702	2,823
International Club	1,104	8,989	9,543	550
Key Club - High School	3,226	1,554	1,173	3,607
Teen Advisory Group	739	1,597	1,579	757
Performing Arts	6,766	15,318	15,400	6,684
Physics Club	206	-	206	-
SADD	352	1,420	1,033	739
Student Council	14,789	3,105	3,546	14,348
Yearbook	37,167	21,114	16,697	41,584
Total	$ 84,668	$ 92,180	$ 94,677	$ 82,171

See note to financial statement.

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the General Brown Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the General Brown Central School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.

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To the Board of Education
General Brown Central School District

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

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and recommendation regarding the matter.

Condition

We noted that the District did not comply with Section 1318 of the Real Property Tax Law which requires no more than 4% of the subsequent year's expenditures be retained as unassigned fund balance.

Recommendation

The Board of Education should take steps to assure, that in the future, funds retained are only those permitted or required by statute.

Management's Response

Current year expenditures came in less than budgeted due to several factors such as the implementation of cost savings measures and being unable to hire certified teachers in several content areas, thus the fund balance exceeded the 4% threshold at yearend. The District is planning to spend down the unassigned fund balance by appropriating the District's portion of an upcoming BOCES capital project to next year's budget.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

Very truly yours,

Bowers & Company

Watertown, New York
September 24, 2018

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September 24, 2018

To the President and Members of the
Board of Education of the General Brown Central School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of General Brown Central School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by General Brown Central School District are described in Note 1 to the financial statements.

General Brown Central School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board ("GASB"). As described in Note 1 to the financial statements, General Brown Central School District changed accounting policies related to reporting for postemployment benefits by adopting Statement of Governmental Accounting Standards No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the cumulative effect of the accounting change as of July 1, 2017 is to report additional other postemployment benefit liability in the amount of $44,528,610 and additional deferred outflows of resources in the amount of $1,170,192 on the governmental activities Statement of Net Position with a corresponding reduction in net position on the Statement of Activities and Changes in Net Position.

We noted no transactions entered into by General Brown Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of depreciation is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to General Brown Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as General Brown Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Change in Fund Balance- Budget (Non-GAAP Basis) and Actual- General Fund, Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and Schedule of District's Contributions- NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund- Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances- Non-Major Governmental Fund,* and *Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Education and management of General Brown Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Attached Material Misstatements:

Capital Fund:

Adjusting Journal Entries JE # 1			
To record EPC Project final expenditures in 2017/18			
H00630	DUE TO OTHER FUNDS	115.00	
H1620.293	IMPROVEMENTS TO FACILITIES	204,171.00	
H00230	Cash- EPC Escrow		204,286.00
Total		**204,286.00**	**204,286.00**

Adjusting Journal Entries JE # 2			
To record disbursements for 2017/18 expenditures in accounts payable.			
H1620.293	IMPROVEMENTS TO FACILITIES	102,461.00	
H2110.245	ARCHITECTURAL AND ENGINEERING	26,532.00	
H2110.246	SURVEYING SERVICES	195.00	
H00600	ACCOUNTS PAYABLE		129,188.00
Total		**129,188.00**	**129,188.00**

Adjusting Journal Entries JE # 3			
To record SMART Schools expenditures through 6/30/18			
H00410	State & Federal Aid Receivable	62,431.00	
H1620.296	SMART SCHOOLS	62,431.00	
H00600	ACCOUNTS PAYABLE		62,431.00
H00691	Deferred Inflows of Resources		62,431.00
Total		**124,862.00**	**124,862.00**