PRELIMINARY OFFICIAL STATEMENT DATED JUNE 12, 2019

RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Trespasz & Marquardt, LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance by the School District with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. See "TAX MATTERS" herein.

The Notes will NOT be "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

$12,357,147

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK

GENERAL OBLIGATIONS

$12,357,147 Bond Anticipation Notes, 2019 (Renewals)

(the "Notes")

Dated: July 11, 2019 **Due: June 30, 2020**

The Notes are general obligations of the Enlarged City School District of the City of Watertown, Jefferson County, New York, all 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 "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein. The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser(s), the Notes will be issued in (i) registered form registered in the name of the purchaser or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

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

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. Individual purchases will be issued in book-entry-only form, in denominations of $5,000 or integral multiples thereof, except for a necessary odd denomination which is or includes $7,147, as may be determined by such successful bidder(s). Payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, 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 may be agreed upon on or about July 11, 2019.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on June 25, 2019 by no later than 11:00 A.M., Eastern Time, pursuant to the Notice of Sale. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the School District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

June __, 2019

THE SCHOOL 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 SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN EVENTS IN ACCORDANCE WITH THE RULE. SEE "APPENDIX-D, UNDERTAKING TO PROVIDE NOTICES OF CERTAIN EVENTS" HEREIN.

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

BETH A. LINDERMAN
President

MARIA T. MESIRES
Vice President

JEFFREY A. WEKAR
NANCY C. HENRY
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* * * * * * * *

PATRICIA LABARR
Superintendent of Schools

STACEY EGER
Assistant Superintendent for Curriculum and Instruction

JOSHUA HARTSHORNE
Business Manager

SYBIL PUGH
District Clerk

SCHWERZMANN & WISE, P.C.
Local Counsel

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

TRESPASZ & MARQUARDT, LLP
BOND COUNSEL

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

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
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Syracuse, New York 13202
(315) 752-0051
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OFFICIAL STATEMENT

of the

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN JEFFERSON COUNTY, NEW YORK

Relating To

$12,357,147 Bond Anticipation Notes, 2019 (Renewals)

This Official Statement, which includes the cover page, has been prepared by the Enlarged City School District of the city of Watertown, Jefferson County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of $12,357,147 principal amount of Bond Anticipation Notes, 2019 (Renewals) (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 "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be dated July 11, 2019 and will mature, without option of prior redemption, on June 30, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form at the option of the Purchaser(s) either (i) registered in the name of the purchaser, or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("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

On July 1, 2014, the qualified voters of the District approved a project consisting of the construction of renovations, upgrades and improvements to Knickerbocker Elementary School, North Elementary School, Ohio Elementary School, Sherman Elementary School, Wiley Intermediate School, Case Middle School, the High School and the High School concession stand/press booth at a maximum estimated cost of $12,572,147, through the issuance of the District's serial bonds. The Notes are being issued pursuant to a bond resolution duly adopted by the Board of Education on September 23, 2014.

The proceeds of the Notes together with $215,000 available funds of the District will redeem $12,572,147 bond anticipation notes maturing July 12, 2019 and issued for the abovementioned purpose.

Nature of the Obligation

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

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount.

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

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

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

If the Notes are issued in book-entry-only registered form, 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 for each maturity of the Notes in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

THE SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE 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.

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

Certificated Notes

If the Notes are initially issued in book-entry-only registered form, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law, or the School 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 discontinued, the following provisions will apply:

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

THE SCHOOL DISTRICT

General Information

The District, with a land area of approximately 30 square miles and an estimated population of 31,029, centers around the City of Watertown (the "City"), and includes all of the City and portions of the Towns of LeRay, Pamelia, Rutland and Watertown. It is located in the center of Jefferson County, in the northern sector of New York State. The County Seat is located in the City of Watertown.

The District is approximately 70 miles north of the City of Syracuse and 30 miles south of the Thousand Islands Bridge, which traverses the St. Lawrence River from the United States to Canada. Major highways bisecting the District include Interstate #81 which connects the District with The New York State Thruway and the Pennsylvania Turnpike to the south and with Canada to the north. It is also served by U.S. Route 11 and New York State Routes #3, #12 and #37. The District is also served with air transportation from the Watertown International Airport and by three bus lines. The Syracuse-to-Massena branch of the Conrail System serves the District.

The City of Watertown is the commercial, professional and industrial center for District residents, as well as residents through Jefferson County and parts of Oswego, Lewis and St. Lawrence Counties. Major industry categories include paper making machinery, air brakes, hydraulic pumps, transmissions and thermometers.

Recent Economic Developments

On Tuesday, April 16, 2019, it was reported that Concentrix will close its call center on Arsenal Street by July 26, 2019 resulting in more than 200 people losing their jobs. The closure marks the end of a 17-year presence of a call center in the City and will, at least temporarily, leave a large downtown building without a tenant. The Jefferson County Industrial Development Agency owns the building in which Concentrix operates.

Source: District officials.

District Population

The 2017 estimated population of the District is 30,725. (Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates)

Selected Wealth and Income Indicators

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

	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:						
LeRay	14,140	17,940	21,133	33,806	40,836	50,038
Pamelia	16,314	22,344	28,111	45,500	68,684	74,185
Rutland	14,919	22,677	24,180	38,906	57,679	63,472
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, 2006-2010 and 2013-2017 American Community Survey data.

Five Largest Employers

The larger employers in Jefferson County and the estimated number of persons employed by each are as follows:

Company	Type	Number of Employees
Fort Drum	U.S. Army	19,044 [(1)]
Samaritan Medical Center	Healthcare	2,455 [(2)]
New York State	Government	1,900 [(3)]
Watertown City School District	Public School	952 [(4)]
Jefferson County	Government	830

(1) This amount includes military and civilians. Due to military deployment, the actual number of personnel is frequently changing.
(2) This amount includes the Samaritan Medical Center, Samaritan Keep and Samaritan Summit Village.
(3) New York State employment includes all regional state offices and two correctional facilities (Jefferson County and Cape Vincent).
(4) Includes Full and Part-time employees.

Source: Jefferson County Industrial Development Agency.

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 Jefferson County. The information set forth below with respect to the County and the State of New York is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or State is necessarily representative of the District, or vice versa.

Annual Average

	2011	2012	2013	2014	2015	2016	2017	2018
Jefferson County	9.8%	9.9%	9.2%	7.6%	6.6%	6.2%	6.5%	5.6%
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

2018-19 Monthly Figures

	2018							2019				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Jefferson County	4.7%	4.6%	4.4%	4.1%	4.1%	4.9%	5.9%	6.7%	6.6%	6.3%	5.3%	N/A
New York State	4.1%	4.2%	4.0%	3.6%	3.6%	3.5%	3.9%	4.6%	4.4%	4.1%	3.6%	N/A

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

Fort Drum

Fort Drum is the home of the 10th Mountain Division (Light Infantry). Fort Drum occupies a 107,265 acre tract in the eastern part of Jefferson County, including parts of the towns of Antwerp, Leray, Philadelphia, and Wilna. The military reservation also extends east into the town of Diana in Lewis County. Several villages in Jefferson County are on the border of Fort Drum: Antwerp, Black River, Carthage, Evans Mills, and Philadelphia. The nearest city is Watertown, New York, located 13 miles to the southwest, which is the service and shopping destination for Fort Drum personnel. Fort Drum's mission includes commanding active component units assigned to the installation, providing administrative and logical support to tenant units, providing support to tenant units, providing support to active and reserve units from all services in training at Fort Drum, and planning and providing support for mobilization and training of almost 80,000 troops annually. Fort Drum continues to be recognized as one of the most ready and capable installations supporting Forces Command (FORSCOM).

Fort Drum supports over 81,000 service members, families, civilians, contractors, retirees, and dependents. There are over 19,000 full-time military, civilian, and contractor jobs associated with Fort Drum. Annually, Fort Drum provides support to over 18,000 family members as well as over 3,100 retirees and over 200 survivors. Throughout Federal Fiscal Year ("FFY") 2018, Fort Drum provided training and base operations support to over 27,000 Reservist, National Guardsmen, as well as personnel from other Federal, State, and local agencies. Fort Drum, a Department of the Army (DA) designated Regional

Collective Training Center, provides full spectrum training and base operations support to all the service branches, 11 states, and parts of Canada.

Fort Drum's economic impact for FFY 2018 was $1,483,207,185, an increase of $261,018,932 or 18% from FFY 2017. There was a 16% increase in total payroll, 30% increase in total contracts, 33% increase in Corp of Engineer contracts, and 62% increase in education tuition assistance. A portion of the increase is attributable to additional categories of direct economic impact in FFY 2018 such as construction of the new intercontinental hotel (Candlewood Suites), utilities, and strategic percentages of on-post retail sales.

School districts throughout Jefferson, Lewis & St. Lawrence Counties received over $40 million in Federal Impact Aid because of Fort Drum. Unlike many other installations, Fort Drum does not have a federally funded school, and affiliated children attend local schools within the tri-county area. Of the 13,159 children enrolled locally, 1,206 are Military children. Military children comprise 9% of the total local student population, with a single district high of 63.35% of the population.

Recent Economic Developments Related to Fort Drum

In November of 2018, the new Candlewood Suites Hotel on Fort Drum opened. The construction of the new hotel had an estimated economic impact of over $23 million. The new hotel is four stories, has 99 rooms, and is part of the Army Lodging Program.

The Bomporto Bridge was completed in August 2018. In 2015, New York State funded the $7.6 million bridge that connects Fort Drum's cantonment area with the airfield. The bridge will mitigate Fort Drum traffic and congestion on NYS Route 26, as well as increase safety and security.

Fort Drum did not have Military Construction (MILCON) Projects in FFY 2018. None are planned in Future Years Defense Program/Plan (FYDP) for FFY 2019.

There were no Army Compatible Use Buffer (ACUB) transactions in FFY 2018. ACUB proactively addresses encroachment issues and/or supports conservation objectives by establishing buffers around installations. It helps sustain natural habitats, installation accessibility, training and testing capabilities.

Source: Fort Drum's 2018 Economic Impact Statement.

Form of School Government

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

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

Budgetary Procedures and Recent Budget Votes

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

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

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

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

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

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

Recent Budget Vote Results

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 442 to 164. The District's adopted budget for 2018-19 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 2.00%, which was below the District tax levy limit of 3.07%.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 348 to 77. The District's adopted budget for 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.99%, which was below the District tax levy limit of 2.49%.

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 deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation Notes and revenue anticipation Notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of 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 either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2018-19 fiscal year, approximately 69.4% of the revenues of the District are estimated to be received in the form of State aid. In its adopted budget for the 2019-20 fiscal year, approximately 70.9% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

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

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.

Potential reductions in Federal aid received by the State.

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

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

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during fiscal year 2019-2020 and fiscal year 2020-2021 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces Federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

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 2019-20 preliminary building aid ratios, the District expects to receive State building aid of approximately 83.0% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history

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

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

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District is part of the Community Schools Grant Initiative (CSGI). The District received $222,343 in State aid (in the form of Foundation aid) to be used on community schools activities. The District is not a part of the CSGI.

<u>*Gap Elimination Adjustment (GEA).*</u> The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately $9,855,794. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

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

School district fiscal year (2019-2020): 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 CFE case that absent "gross education inadequacies", claims regarding State funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2018-19 and 2019-20 fiscal years comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2013-2014	$ 56,926,920	$ 38,330,012	67.33%
2014-2015	57,764,061	39,552,230	68.47
2015-2016	59,084,196	40,013,461	67.72
2016-2017	59,422,688	40,905,750	68.84
2017-2018	61,572,641	42,421,917	68.90
2018-2019 (Budgeted)	62,365,538	43,277,748	69.39
2019-2020 (Budgeted)	64,778,620	45,908,954	70.87

Source: 2013-14 through 2017-18 audited financial statements and 2018-19 and 2019-20 adopted budgets of the District. This table is not audited.

District Facilities

Name	Type	Capacity	Year(s) Built
Watertown High School	9-12	1,450	1951, '63, '65, '68, '90, '01, '06, '09
Case Middle School	7-8	1,124	2001
Harold T. Wiley School	5-6	1,782	1971, '88, '01, '06, '09
Knickerbocker Elementary School	K-4	565	1953, '97, '06, '09
Ohio Street Elementary School	K-4	575	1958, '93, '09
Sherman Street Elementary School	K-4	450	1930, '88, '06, '09
Starbuck Elementary School	K-4	450	1953, '92, '09
North Elementary School	K-4	700	1928, '86, '06, '09

Source: District Records.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-2015	3,992	2019-2020	4,050
2015-2016	3,985	2020-2021	4,050
2016-2017	3,955	2021-2022	4,050
2017-2018	3,947	2022-2023	4,050
2018-2019	4,002	2023-2024	4,050

Source: District records and estimates.

Employees

The total number of persons employed (both full-time and part-time) by the District is 952. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreements are as follows:

Employees	Union	Contract Expiration Date
334	Watertown Educational Association	June 30, 2019 (1)
306	Non-union	Annually
101	Instructional Teacher Assistants' Association	June 30, 2020
50	Civil Service Employees' Association	June 30, 2019 (1)
42	Educational Cafeteria Workers' Association	June 30, 2019 (1)
34	12 Month Clerical and Support Association	June 30, 2020
17	School Administrators' Association	June 30, 2019 (1)

(1) Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and the budgeted figures for the 2018-19 and 2019-20 fiscal years are as follows:

Fiscal Year	ERS	TRS
2013-2014	$ 923,995	$ 3,264,065
2014-2015	912,614	3,500,932
2015-2016	747,027	2,633,793
2016-2017	637,143	2,446,949
2017-2018	710,581	2,138,314
2018-2019 (Budgeted)	1,107,264	3,126,431
2019-2020 (Budgeted)	1,094,611	2,510,278

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 currently offers an early retirement incentive programs for its employee, which is expected to realize savings in the amount of $98,297 for the 2018-19 fiscal year.

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

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

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

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

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

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

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

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

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

The State’s 2019-2020 Enacted Budget, which was signed into law on March 31, 2019, will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such 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 School District has not yet determined whether it will establish such a fund.

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

Other Post-Employment Benefits

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

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

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

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

Summary of Changes from the Last Valuation. The District contracted with Armory Associates, LLC, an actuarial firm, to calculate its first 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, as Restated:	$ 181,828,772
Changes for the year:	
Service cost	5,842,834
Interest	5,421,746
Differences between expected and actual experience	0
Changes of benefit terms	0
Changes in assumptions	(19,497,211)
Benefit payments	(3,990,766)
Net Changes	(12,223,397)
Balance at June 30, 2018:	$ 169,605,375

Source: 2018 audited financial statements. The above table is not audited. For additional information see "APPENDIX - E" attached hereto.

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.

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

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

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

For prior valuations under GASB 45, the District contracted with BPAS Healthcare Consulting Service, an actuarial firm, to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation dated July 1, 2016 and financial data as of June 30, 2017, 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, 2016 and June 30, 2017:

Annual OPEB Cost and Net OPEB Obligation:	**2016**	**2017**
Annual required contribution (ARC)	$ 14,315,444	$ 13,893,460
Interest on net OPEB obligation	1,992,769	2,381,428
Adjustment to ARC	(2,881,052)	(3,436,501)
Annual OPEB cost (expense)	13,427,161	12,838,387
Contributions made	(3,710,674)	(3,983,552)
Increase in net OPEB obligation	9,716,487	8,854,835
Net OPEB obligation - beginning of year	49,819,218	59,535,705
Net OPEB obligation - end of year	$ 59,535,705	$ 68,390,540
Percentage of annual OPEB cost contributed	27.64%	31.03%

Funding Status:	**2016**	**2017**
Actuarial Accrued Liability (AAL)	$ 150,584,704	$ 156,826,339
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 150,584,704	$ 156,826,339
Funded Ratio (Assets as a Percentage of AAL)	0.00%	0.00%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 12,838,387	31.03%	$ 68,390,540
2016	13,427,161	27.64	59,535,705
2015	12,944,201	27.14	49,819,218

Source: Audited financial statements of the District. Note: The above tables are not audited.

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.

In April 2015, the State Comptroller proposed 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.

Financial Statements

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

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

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

New York State Comptroller Reports of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the 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 June 10, 2016. The purpose of the audit was to evaluate the District's financial condition for the period July 1, 2014 through October 31, 2015.

Key Findings:

- The District overestimated appropriations in the adopted budgets by about 14 percent annually over the past three years.
- Unassigned fund balance has exceeded the 4 percent legal limit during the same period.
- The Board has not developed a written policy that states the optimal funding level for reserves and the conditions under which reserves will be used.

Key Recommendations:

- Develop realistic estimates of appropriations and the use of fund balance in the annual budget.
- Ensure that the District's unassigned fund balance is in compliance with statutory limits and reduce the amount of fund balance in a manner than benefits District residents.
- Develop a formal reserve fund policy that outlines targeted funding levels and indicates when reserve balances will be used to finance related costs.

The District provided a complete response to the State Comptroller's office on May 10, 2016. 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 State Comptrollers audits of the District that are currently in progress or pending release at this time.

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

The State Comptroller's Fiscal Stress Monitoring System

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

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible 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 2014 through 2018 fiscal years of the District are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	0.0%
2017	No Designation	6.7%
2016	No Designation	6.7%
2015	No Designation	13.3%
2014	No Designation	6.7%

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

Other Information

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

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

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

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

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

TAX INFORMATION

Taxable Valuations (1)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Taxable Assessed Value	$ 1,401,307,497	$ 1,403,995,745	$ 1,431,425,774	$ 1,431,596,204	$ 1,442,887,237
Taxable Full Valuation (2)	1,674,487,375	1,676,087,784	1,662,509,877	1,655,048,659	1,636,802,796
Taxable Full Valuation (3)	1,684,010,585	1,642,538,191	1,661,476,664	1,678,702,636	1,706,593,183

(1) See "APPENDIX – C" for full computation of Taxable Full Valuation made with the use of regular State Equalization Rates and special State Equalization Ratios.
(2) Full Valuation computed using regular State Equalization Rates.
(3) Full Valuation computed using special State Equalization Rates.

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
City of:					
Watertown	$ 10.32	$ 10.43	$ 10.11	$ 10.32	$ 10.30
Town of:					
LeRay	9.08	9.18	9.30	9.49	9.79
Pamelia	15.52	15.83	16.32	16.65	17.17
Rutland	14.64	14.81	15.25	15.56	16.05
Watertown	13.97	14.13	14.65	14.60	15.30

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 15,203,580	$ 15,389,322	$ 15,463,438	$ 15,709,725	$ 16,023,920
Amount Uncollected (1)	607,140	623,138	620,195	759,227	711,642
% Uncollected	3.99%	4.05%	4.01%	4.83%	4.44%

(1) The School District receives the amount of uncollected taxes from the County prior to the end of the Fiscal Year. See "Tax Collection Procedures" herein.

Tax Collection Procedure

The District levies its own taxes prior to the end of September, and collects such taxes, which are due during October without penalty. Penalties for delinquent taxes are as follows:

2% in November and 4% in December after which the delinquent taxes are turned over to the City Tax Collector for those properties within the City and to the County Treasurer for those properties outside the City. Delinquent taxes on property in and outside the City are subject to tax sale. The District receives the full amount of all the uncollected taxes on property outside the City from the County by the end of its fiscal year, and the full amount of uncollected taxes on property within the City during the next fiscal year.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2018-19 and 2019-20 fiscal years comprised of Real Property Taxes and Tax Items.

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-2014	$ 56,926,920	$ 16,516,792	29.01%
2014-2015	57,764,061	16,693,798	28.90
2015-2016	59,084,196	16,838,672	28.50
2016-2017	59,422,688	17,042,147	28.80
2017-2018	61,572,641	17,276,864	28.17
2018-2019 (Budgeted)	62,365,538	17,332,890	27.79
2019-2020 (Budgeted)	64,778,620	17,651,766	27.25

Source: 2013-14 through 2017-18 audited financial statements and 2018-19 and 2019-20 adopted budgets of the District. This table is not audited.

Ten Larger Taxpayers – 2018 Assessment Roll for 2018-19 District Tax Roll

Name	Type	Taxable Assessed Valuation
Niagara Mohawk Power Corp.	Utility	$ 47,297,038
Arsenal Street Associates (Price Chopper Plaza)	Shopping Center	14,500,000
Erie Blvd Hydropower LP	Utility	11,569,300
WGS Housing Arsenal Associates LLC	Apartment Complex	10,529,500
ARHC NCWTNNY01 LLC	Office Building	9,161,600
Samaritan Medical Center	Hospital	9,127,300
WGS Eastern Housing Associates LLC	Apartment Complex	9,100,200
Ontario Apartments LLC	Housing	8,100,000
Stateway Plaza Shopping Center	Shopping Center	7,978,900
Home Depot USA Inc.	Building Supplies	6,926,300

The ten larger taxpayers listed above have a total taxable valuation of $130,510,427 which represents 9.1% of the tax base of the District.

The District experiences the impact of tax certiorari filings on a regular basis. At this time, the level of tax certiorari filings are within acceptable norms and, if decided adversely to the District, are not anticipated to have a material adverse impact on the District's finances.

Source: District Tax Rolls.

STAR – School Tax Exemption

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

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of $86,300 or less for 2019 benefits and $88,050 or less for 2020 benefits, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross income not in excess of $250,000 ($500,000 in the case of a STAR credit, as discussed below) are eligible for a $30,000 "full value" exemption on their primary residence.

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

The below table lists the basic and enhanced exemption amounts for the 2019-20 District tax roll for the municipalities applicable to the District:

Municipality	Enhanced Exemption	Basic Exemption	Date Certified
City of Watertown	$ 65,270	$ 28,500	11/20/2018
Town of LeRay	68,700	30,000	4/9/2019
Town of Pamelia	39,160	17,100	4/9/2019
Town of Rutland	41,910	18,300	4/9/2019
Town of Watertown	43,970	19,200	4/9/2019

$1,510,810 of the District's $15,709,725 school tax levy for 2017-18 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2018.

$1,452,200 of the District's $16,023,920 school tax levy for 2018-19 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2019.

Additional Tax Information

Real property located in the District is assessed by the Towns and the City.

Senior citizens' exemptions are offered to those who qualify.

The assessment roll of the District is constituted approximately as follows: 30% commercial, 12% industrial and 58% residential.

The estimated total annual property tax bill of a $100,000 market value residential property located in the District is approximately $3,000 including County, City, Village, Town and School District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

Real Property Tax Rebate

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

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

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

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

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

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

The School District may contract indebtedness only for a School District purpose and shall pledge its faith and credit for the payment of 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; and unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

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

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30th:	2014	2015	2016	2017	2018
Bonds [(1)]	$ 36,795,000	$ 34,085,000	$ 31,325,000	$ 28,280,000	$ 25,095,000
Bond Anticipation Notes	0	0	0	0	12,572,147
Other Debt	0	0	0	0	0
Total Debt Outstanding	$ 36,795,000	$ 34,085,000	$ 31,325,000	$ 28,280,000	$ 37,667,147

[(1)] Totals do not include advance refunded bonds outstanding where applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 12, 2019.

Type of Indebtedness	Maturity		Amount
Bonds	2019-2031		$ 21,765,000
Bond Anticipation Notes			
Capital Project	July 12, 2019		12,572,147 (1)
		Total Indebtedness	$ 34,337,147

(1) To be redeemed at maturity with the proceeds of the Notes and $250,000 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 12, 2019:

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios
Five-Year Average Full Valuation of Taxable Real Property	$ 1,660,987,298	$ 1,674,664,252
Debt Limit 5% thereof	83,049,365	83,733,213 (1)
Inclusions:		
Bonds	$ 21,765,000	$ 21,765,000
Bond Anticipation Notes	12,572,147	12,572,147
Tax/Revenue Anticipation Notes	0	0
Total Inclusions	$ 34,337,147	$ 34,337,147
Exclusions:		
Appropriations	$ 0	$ 0
Tax/Revenue Anticipation Notes	0	0
Total Exclusions	$ 0	$ 0
Total Net Indebtedness (2) (3)	$ 34,337,147	$ 34,337,147
Net Debt-Contracting Margin	$ 48,712,218	$ 49,396,066
The percent of debt contracting power exhausted is	41.35%	41.01%

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

(2) Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the District receives aid on existing bonded debt. The District, as a school district located in a city, may not under Section 121.20 of the Local Finance Law exclude from gross indebtedness estimated State aid for School building purposes. As noted above, the District receives New York State debt service building aid in an amount approximating 86.3% of its outstanding debt. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive.

(3) The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the constitutional debt limit of the District.

Bonded Debt Service

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

Capital Project Plans

On September 23, 2014, the qualified voters of the District authorized a capital project in the amount of $12,572,147 for the construction of renovations, upgrades and improvements to Knickerbocker Elementary School, North Elementary School, Ohio Elementary School, Sherman Elementary School, Wiley Intermediate School, Case Middle School, the High School and the High School Concession Stand/Press Booth. The District received approval from the New York State Education Department on May 26, 2016, and construction began in Summer 2017. To date, the District has issued $12,572,147 bond anticipation notes, which will be renewed with a portion of the proceeds of the Notes.

The District has no other authorized and unissued indebtedness for capital or other purposes nor are any contemplated at this time.

Cash Flow Borrowings

The District has found it necessary in the past to borrow in anticipation of revenues, which borrowing is necessitated by the schedule of State Aid revenue payments. However, the District has not had to borrow on a revenue anticipation note for the past eleven years. The District has not found it necessary to borrow tax anticipation notes in the past.

Estimated Overlapping Indebtedness

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

Municipality	Status of Debt as of		Gross Indebtedness (1)	Exclusions (2)	Net Indebtedness	District Share	Applicable Indebtedness
County of:							
Jefferson	11/1/2018	(3)	$ 28,970,000	$ 440,000	$ 28,530,000	21.48%	$ 6,128,244
City of:							
Watertown	3/2/2019	(3)	34,100,000	16,386,159	17,713,841	99.71%	17,662,471
Town of:							
LeRay	12/31/2016	(4)	13,170,330	13,170,330	-	20.85%	-
Pamelia	12/31/2016	(4)	2,300,869	-	2,300,869	4.25%	97,787
Rutland	12/31/2016	(4)	6,162,397	1,407,083	4,755,314	2.96%	140,757
Watertown	12/31/2016	(4)	7,565,000	3,170,000	4,395,000	68.69%	3,018,926
						Total:	$ 27,048,185

Notes:

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

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

Sources of information:

(3) Most recent available official statement or annual disclosure filing of the municipality obtained from the Electronic Municipal Market Access Website.

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

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 12, 2019:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 34,337,147	$ 1,117.56	2.10%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	61,385,332	1,997.90	3.75%

(a) The 2017 estimated population of the District is 30,725. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for 2018-19 using regular state equalization rates is $1,636,802,796. (See "TAX INFORMATION – Taxable Valuations" herein or "APPENDIX – C" attached hereto.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is $27,048,185. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

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

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

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

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

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

TAX MATTERS

In the opinion of Trespasz & Marquardt, LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E” hereto.

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

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

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinions of Trespasz & Marquardt, LLP, Bond Counsel. Bond Counsel’s opinion will be in substantially the form attached hereto as APPENDIX – E”.

LITIGATION

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

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

CONTINUING DISCLOSURE

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

Historical Continuing Disclosure Compliance

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

RATINGS

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale upon approval by the District and at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX – D - UNDERTAKING TO PROVIDE NOTICES OF CERTAIN EVENTS" herein.)

The District does not currently have any outstanding general obligation debt directly rated by Moody's Investors Service or Standard & Poor's Credit Market Services.

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.

Trespasz & Marquardt, LLP, 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 promulgated by the Securities and Exchange Commission.

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

The District's contact information is as follows: Mr. Joshua Hartshorne, Business Manager, 1351 Washington Street PO Box 586, Watertown, New York 13601, telephone (315) 785-3714, fax (315) 785-6855, email jhartshorne@watertowncsd.org.

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

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN

Dated: June 12, 2019

BETH A. LINDERMAN
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	$ 16,914,052	$ 16,819,807	$ 15,696,812	$ 12,300,350	$ 14,843,013
Restricted Cash	4,782,502	4,799,796	4,804,928	4,480,318	4,232,611
Taxes Receivable	302,667	208,001	176,259	279,239	299,606
State and Federal Aid Receivable	863,965	882,404	964,067	750,900	939,180
Due From Other Funds	3,406,472	3,512,424	5,391,165	7,981,661	5,503,198
Due From Fiduciary Funds	-	16	17	379	433
Due From Other Governments	901,584	857,909	805,443	1,479,267	951,779
Other Receivables	273,349	122,279	180,695	141,372	151,965
Prepaids	-	-	-	-	233,511
TOTAL ASSETS	$ 27,444,591	$ 27,202,636	$ 28,019,386	$ 27,413,486	$ 27,155,296
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 679,441	$ 735,937	$ 575,238	$ 432,393	$ 597,378
Accrued Liabilities	843,365	939,722	970,998	1,038,017	1,090,279
Bond Interest and Matured Bonds Payable	351	-	-	-	-
Due to Other Funds	22,186	88,558	90,677	-	81,767
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	3,741,320	3,998,637	3,011,293	2,840,018	2,475,519
Due to Employees' Retirement System	299,627	276,290	242,134	205,616	215,194
Compensated Absences	7,845	7,845	7,845	7,845	7,845
Deferred Revenues	-	-	-	-	-
TOTAL LIABILITIES	5,594,135	6,046,989	4,898,185	4,523,889	4,467,982
FUND EQUITY					
Nonspendable	$ -	$ -	$ -	$ -	$ 233,511
Restricted	4,782,502	4,799,796	4,804,928	4,480,318	4,232,611
Assigned	11,588,396	11,602,536	11,616,334	11,902,562	11,918,493
Unassigned	5,479,558	4,753,315	6,699,939	6,506,717	6,302,699
TOTAL FUND EQUITY	21,850,456	21,155,647	23,121,201	22,889,597	22,687,314
TOTAL LIABILITIES and FUND EQUITY	$ 27,444,591	$ 27,202,636	$ 28,019,386	$ 27,413,486	$ 27,155,296

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
REVENUES					
Real Property Taxes	$ 13,307,208	$ 13,511,912	$ 13,709,660	$ 13,897,744	$ 14,201,372
Other Tax Items	3,209,584	3,181,886	3,129,012	3,144,403	3,075,492
Charges for Services	371,296	221,869	287,636	193,722	229,252
Use of Money & Property	55,693	17,895	54,438	69,649	70,479
Sale of Property and Compensation for Loss	251,183	64,473	44,500	38,618	281,933
Miscellaneous	786,520	804,530	1,322,734	457,388	729,150
Interfund Revenues	-	4,275	-	-	-
Revenues from State Sources	38,330,012	39,552,230	40,013,461	40,905,750	42,421,917
Revenues from Federal Sources	1,638	404,991	522,755	465,414	313,046
Total Revenues	$ 56,313,134	$ 57,764,061	$ 59,084,196	$ 59,172,688	$ 61,322,641
Other Sources:					
Interfund Transfers	613,786	-	-	250,000	250,000
Total Revenues and Other Sources	56,926,920	57,764,061	59,084,196	59,422,688	61,572,641
EXPENDITURES					
General Support	$ 5,503,317	$ 6,245,247	$ 5,388,412	$ 5,540,698	$ 5,796,092
Instruction	27,931,884	28,128,018	28,308,936	29,992,597	31,657,545
Pupil Transportation	3,238,221	3,216,308	3,192,101	3,357,435	3,578,104
Community Services	-	-	-	-	-
Employee Benefits	15,853,395	16,342,957	15,979,267	16,289,706	16,273,892
Debt Service	4,475,736	4,468,020	4,420,938	4,421,094	4,419,569
Total Expenditures	$ 57,002,553	$ 58,400,550	$ 57,289,654	$ 59,601,530	$ 61,725,202
Other Uses:					
Interfund Transfers	50,615	58,320	(171,012)	52,762	49,722
Total Expenditures and Other Uses	57,053,168	58,458,870	57,118,642	59,654,292	61,774,924
Excess (Deficit) Revenues Over Expenditures	(126,248)	(694,809)	1,965,554	(231,604)	(202,283)
FUND BALANCE					
Fund Balance - Beginning of Year	21,980,961	21,850,456	21,155,647	23,121,201	22,889,597
Prior Period Adjustments (net)	(4,257)	-	-	-	-
Fund Balance - End of Year	$ 21,850,456	$ 21,155,647	$ 23,121,201	$ 22,889,597	$ 22,687,314

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes	$ 15,709,725	$ 14,198,915	$ 14,201,372	$ 16,382,890	$ 16,342,796
Other Tax Items	1,381,465	2,892,275	3,075,492	950,000	1,308,970
Charges for Services	170,900	170,900	229,252	156,400	161,400
Use of Money & Property	34,398	34,398	70,479	33,000	45,000
Sale of Property and Compensation for Loss	16,500	16,500	281,933	11,500	6,500
Miscellaneous	431,800	431,800	729,150	424,000	375,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	40,814,760	40,814,760	42,421,917	43,277,748	45,908,954
Revenues from Federal Sources	380,000	380,000	313,046	380,000	380,000
Total Revenues	$ 58,939,548	$ 58,939,548	$ 61,322,641	$ 61,615,538	$ 64,528,620
Other Sources:					
Interfund Transfers	250,000	250,000	250,000	750,000	250,000
Total Revenues and Other Sources	59,189,548	59,189,548	61,572,641	62,365,538	64,778,620
EXPENDITURES					
General Support	$ 7,527,750	$ 7,527,748	$ 5,796,092	$ 7,865,786	$ 9,441,248
Instruction	36,058,153	36,075,955	31,657,545	37,732,515	39,443,568
Pupil Transportation	4,520,892	4,503,092	3,578,104	3,999,831	3,361,636
Community Services	-	-	-	-	-
Employee Benefits	18,222,931	18,222,931	16,273,892	19,060,962	18,598,494
Debt Service	4,657,384	4,657,384	4,419,569	5,484,558	5,611,788
Total Expenditures	$ 70,987,110	$ 70,987,110	$ 61,725,202	$ 74,143,652	$ 76,456,734
Other Uses:					
Interfund Transfers	105,000	105,000	49,722	105,000	205,000
Total Expenditures and Other Uses	71,092,110	71,092,110	61,774,924	74,248,652	76,661,734
Excess (Deficit) Revenues Over Expenditures	(11,902,562)	(11,902,562)	(202,283)	(11,883,114)	(11,883,114)
FUND BALANCE					
Fund Balance - Beginning of Year	11,902,562	11,902,562	22,889,597	11,883,114	11,883,114
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 22,687,314	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 3,330,000	$ 1,082,419	$ 4,412,419
2020	3,470,000	961,569	4,431,569
2021	3,590,000	824,019	4,414,019
2022	3,765,000	661,294	4,426,294
2023	2,470,000	485,894	2,955,894
2024	2,590,000	361,269	2,951,269
2025	2,310,000	240,894	2,550,894
2026	1,850,000	136,219	1,986,219
2027	505,000	53,275	558,275
2028	525,000	36,534	561,534
2029	270,000	18,731	288,731
2030	280,000	9,450	289,450
2031	140,000	2,363	142,363
TOTALS	$ 25,095,000	$ 4,873,928	$ 29,968,928

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2012 Refunding of 2002 DASNY Bonds			2012 DASNY Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 1,080,000	$ 501,500	$ 1,581,500	$ 790,000	$ 315,469	$ 1,105,469
2020	1,140,000	447,500	1,587,500	830,000	283,069	1,113,069
2021	1,190,000	390,500	1,580,500	855,000	249,369	1,104,369
2022	1,255,000	331,000	1,586,000	895,000	209,894	1,104,894
2023	1,310,000	268,250	1,578,250	945,000	163,894	1,108,894
2024	1,375,000	202,750	1,577,750	990,000	115,519	1,105,519
2025	1,450,000	134,000	1,584,000	625,000	75,144	700,144
2026	1,230,000	61,500	1,291,500	380,000	50,019	430,019
2027				255,000	36,375	291,375
2028				265,000	27,759	292,759
2029				270,000	18,731	288,731
2030				280,000	9,450	289,450
2031				140,000	2,363	142,363
TOTALS	$ 10,030,000	$ 2,337,000	$ 12,367,000	$ 7,520,000	$ 1,557,053	$ 9,077,053

Fiscal Year Ending June 30th	2014B DASNY Serial Bonds			2016 B DASNY Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 175,000	$ 89,900	$ 264,900	$ 1,285,000	$ 175,550	$ 1,460,550
2020	185,000	81,150	266,150	1,315,000	149,850	1,464,850
2021	195,000	73,750	268,750	1,350,000	110,400	1,460,400
2022	205,000	64,000	269,000	1,410,000	56,400	1,466,400
2023	215,000	53,750	268,750	-	-	-
2024	225,000	43,000	268,000	-	-	-
2025	235,000	31,750	266,750	-	-	-
2026	240,000	24,700	264,700	-	-	-
2027	250,000	16,900	266,900	-	-	-
2028	260,000	8,775	268,775	-	-	-
TOTALS	$ 2,185,000	$ 487,675	$ 2,672,675	$ 5,360,000	$ 492,200	$ 5,852,200

COMPUTATION OF TAXABLE FULL VALUATIONS

Using Regular State Equalization Rates

Year of School District Tax Roll		2015	2016	2017	2018	2019
Taxable Assessed Valuation						
City of:	Watertown	$ 1,061,829,120	$ 1,065,153,286	$ 1,090,192,155	$ 1,095,393,685	$ 1,102,539,736
Towns of:	LeRay	103,588,534	105,965,712	106,538,378	101,329,230	101,424,924
	Pamelia	6,482,827	6,419,114	6,449,456	6,457,372	6,438,363
	Rutland	3,482,117	3,449,878	3,455,317	3,333,505	3,354,451
	Watertown	225,924,899	223,007,755	224,790,468	225,082,412	229,129,763
Total Assessed Valuation		$ 1,401,307,497	$ 1,403,995,745	$ 1,431,425,774	$ 1,431,596,204	$ 1,442,887,237
State Equalization Rates						
City of:	Watertown	88.00%	88.00%	92.00%	92.00%	95.00%
Towns of:	LeRay	100.00%	100.00%	100.00%	100.00%	100.00%
	Pamelia	58.50%	58.00%	57.00%	57.00%	57.00%
	Rutland	62.00%	62.00%	61.00%	61.00%	61.00%
	Watertown	65.00%	65.00%	63.50%	65.00%	64.00%
Taxable Full Valuation						
City of:	Watertown	$ 1,206,624,000	$ 1,210,401,461	$ 1,184,991,473	$ 1,190,645,310	$ 1,160,568,143
Towns of:	LeRay	103,588,534	105,965,712	106,538,378	101,329,230	101,424,924
	Pamelia	11,081,756	11,067,438	11,314,835	11,328,723	11,295,374
	Rutland	5,616,318	5,564,319	5,664,454	5,464,762	5,499,100
	Watertown	347,576,768	343,088,854	354,000,737	346,280,634	358,015,255
Total Full Valuation		$ 1,674,487,375	$ 1,676,087,784	$ 1,662,509,877	$ 1,655,048,659	$ 1,636,802,796

Using Special State Equalization Ratios

Year of School District Tax Roll		2015	2016	2017	2018	2019
Special Equalization Ratios						
City of:	Watertown	87.97%	90.42%	91.77%	90.83%	90.06%
Towns of:	LeRay	96.50%	99.81%	99.61%	97.52%	95.58%
	Pamelia	56.84%	56.83%	57.01%	56.87%	56.70%
	Rutland	60.96%	60.94%	61.15%	60.08%	58.84%
	Watertown	64.09%	65.32%	64.30%	63.96%	63.79%
Taxable Full Valuation						
City of:	Watertown	$ 1,207,035,489	$ 1,178,006,288	$ 1,187,961,376	$ 1,205,982,258	$ 1,224,227,999
Towns of:	LeRay	107,345,631	106,167,430	106,955,504	103,906,101	106,115,217
	Pamelia	11,405,396	11,295,291	11,312,850	11,354,619	11,355,138
	Rutland	5,712,134	5,661,106	5,650,559	5,548,444	5,700,970
	Watertown	352,511,935	341,408,076	349,596,373	351,911,213	359,193,860
Total Full Valuation		$ 1,684,010,585	$ 1,642,538,191	$ 1,661,476,664	$ 1,678,702,636	$ 1,706,593,183

UNDERTAKING TO PROVIDE NOTICES OF CERTAIN EVENTS

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 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 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 Note holders, if material

(h) note calls, if material and tender offers

(i) defeasances

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

(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

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

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

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

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

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

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for 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 governmental 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 Notes 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.

FORM OF OPINION OF BOND COUNSEL

July 11, 2019

Enlarged City School District of the City of Watertown
1351 Washington Street
Watertown, New York 13601-4593

Re: Enlarged City School District of the City of Watertown
$12,357,147 Bond Anticipation Notes, 2019 (Renewals) CUSIP No. 942116

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $12,357,147 Bond Anticipation Notes, 2019 (Renewals) (the “Notes”) of the Enlarged City School District of the City of Watertown, Jefferson County, State of New York (the "District"). The Notes are dated July 11, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before July 11, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

In our opinion, the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all taxable real property within the District is subject to levy of ad valorem real estate taxes to pay the Notes and interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereinafter enacted.

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 excluded from gross income under Section 103 of the Code. The President of the Board of Education of the District, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the District delivered concurrently with the delivery of the Notes, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

In our opinion, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

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

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

We have examined the first executed Note of each said issue and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

TRESPASZ & MARQUARDT, LLP

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2018

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

Bowers & Company CPAs PLLC, the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Bowers & Company CPAs PLLC also has not performed any procedures relating to this Official Statement.

WATERTOWN CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

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WATERTOWN CITY SCHOOL DISTRICT

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS · BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION
WATERTOWN CITY 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 Watertown City 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.

120 Madison Street, 1700 AXA Tower II, Syracuse, NY 13202 Phone: 315.234.1100 · Fax: 315.234.1111
1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 · Fax: 315.788.0966

www.bcpllc.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Watertown City 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 4-22), 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 Watertown City 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 89-93), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (page 100) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the 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, Net Investment in Capital Assets (pages 89-93) and the Schedule of Expenditures of Federal Awards (page 100) 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, Net Investment in Capital Assets (pages 89-93) and the Schedule of Expenditures of Federal Awards (page 100) 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 28, 2018 on our consideration of the Watertown City 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 Watertown City 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 Watertown City School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
September 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

INTRODUCTION

The following is a discussion and analysis of Watertown City 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. Responsibility for completeness and fairness of the information contained rests with the School District.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Watertown City School District (the "School District") is considered a Small City School District. The School District has land area of approximately 30 square miles and an estimated population of 30,000, centers around the City of Watertown, and includes all of the City and portions of the Towns of LeRay, Pamelia, Rutland and Watertown. It is located in the center of Jefferson County, in the northern sector of New York State. The Jefferson County Seat is located in the City of Watertown.

The city government of Watertown is a separate political body and corporation. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing authority for these city services.

The School District operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered five-year terms. The Board of Education is the policy-making body of the School District. The President and the Vice President are elected by the Board members. The President of the Board is the chief fiscal officer of the School District.

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

The School District is staffed by 740 full-time and part-time employees who provide services to 4,000 students and other community members. The School District currently operates five elementary schools (K-4), one intermediate school (5-6), one middle school (7-8) and a high school (9-12).

Extra Classroom Activity Funds – These funds are considered a component unit of the School District. Financial Statements can be found in the School District's business office at 1351 Washington Street, PO Box 586, Watertown, NY 13601.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY - Continued

Parent Teacher Organizations – The School District is not involved in the budgeting or management, is not responsible for any debt, and has minimal influence over these organizations.

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Watertown City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The General Fund is by far the most significant fund for the Watertown City School District.

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. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section of the Management's Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had $61,572,641 in incoming monies and $61,774,924 in monies coming out. The General Fund's fund balance decreased $202,283 from 2017 after factoring in transfers to and from other funds.

- The unappropriated fund balance will be used over the next three to four years to control the tax levy. The School District finished the 2017-18 fiscal year in good financial condition. We had a 1.59% increase in the tax levy for 2017-18 which resulted in a $246,287 increase in the levy of taxes for the 2017-18 fiscal year.

- District-wide revenues totaled $70,629,978 and total expenses were $76,962,823. The change in net position was ($6,332,845). Net position at year end was ($120,206,881).

- General revenues accounted for $61,265,033 or 87% of all revenues. Program specific revenues in the form of charges for services and operating grants amounted to $9,365,305 or 13% of total revenues of $70,629,978.

REPORTING ON THE SCHOOL DISTRICT AS A WHOLE

Overview of Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **District-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. 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 fund financial statements comprise the remaining statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING ON THE SCHOOL DISTRICT AS A WHOLE -
Continued

Overview of Financial Statements - Continued

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

Figure A-1 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

REPORTING ON THE SCHOOL DISTRICT AS A WHOLE - Continued

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially from July 1, 2017 through June 30, 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Some examples of non-financial factors include the School District's property tax base, current property tax laws in New York State restricting revenue growth, facility condition, unfunded required educational programs required by the New York State Education Department.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of school buildings, pupil transportation and extracurricular activities. The School District does not have any business-like activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General. Special Aid, and Capital Project funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $120,206,881 at the close of the most recent fiscal year. This represents a $6,332,845 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 $169,605,375 compared to $181,828,772 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 17 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 $11,264,580. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of $4,315,731. The net impact of these two items, of $6,948,849, ultimately resulted in the current year decrease. See Note 12 for additional OPEB information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following schedule summarizes the School District's Net Position. The complete Statement of Net Position can be found in the School District's basic financial statements.

Table 1: Condensed Statement of Net Position

	2017 (Restated)	2018
Assets		
Current and Other Assets	$ 27,541,204	$ 33,573,973
Capital Assets, Net	61,473,176	65,682,397
Net Pension Asset - Proportionate Share	-	1,111,029
Total Assets	$ 89,014,380	$ 100,367,399
Deferred Outflows of Resources		
Other Postemployment Benefits	$ 3,990,766	$ 4,315,731
Pensions	2,931,514	16,889,962
Defeasance Loss	271,746	222,205
Total Deferred Outflows of Resources	$ 7,194,026	$ 21,427,898
Liabilities		
Current Liabilities	$ 9,044,522	$ 21,861,112
Long-Term Liabilities	100,398,141	195,324,410
Total Liabilities	$ 109,442,663	$ 217,185,522
Deferred Inflows of Resources		
Other Post emplyment Benefits	$ -	$ 19,497,211
Pensions	793,549	5,319,445
Total Deferred Inflows of Resources	$ 793,549	$ 5,319,445
Net Position		
Net Investment in Capital Assets	$ 30,051,257	$ 28,732,950
Restricted	5,981,759	5,649,574
Unrestricted (Deficit)	(149,907,052)	(154,589,405)
Total Net Position	$ (113,874,036)	$ (120,206,881)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Unrestricted net position, the part of net position that can be used to finance day-to-day activities of the School District, decreased by $4,682,353 This decrease was largely due to the requirements for GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The resulting net adjustment was a decrease of $11,264,580. This was the main factor for the decrease in total net position of $6,332,845.

Table 2: Condensed Statement of Activities

	2017 *	2018	Percentage Change
Revenues			
General Revenues			
Property and Other Tax Items	$ 13,897,744	$ 14,201,372	2.18%
Other Tax Items	3,144,403	3,075,492	-2.19%
State Aid Formula	40,905,750	42,421,917	3.71%
Other	1,022,965	1,563,984	
Program Revenues			
Charges for Services	342,483	289,311	-15.53%
Operating Grants	8,582,779	9,077,902	5.77%
Total Revenues	$ 67,896,124	$ 70,629,978	4.03%
Expenses			
General Support	9,734,125	10,145,930	4.23%
Instruction	59,348,937	59,553,547	0.34%
Pupil Transportation	3,543,407	3,773,278	6.49%
School Lunch Program	2,144,398	2,324,971	8.42%
Debt Service	1,006,437	1,165,097	15.76%
Total Expenses	75,777,304	76,962,823	1.56%
Changes in Net Position	$ (7,881,180)	$ (6,332,845)	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues

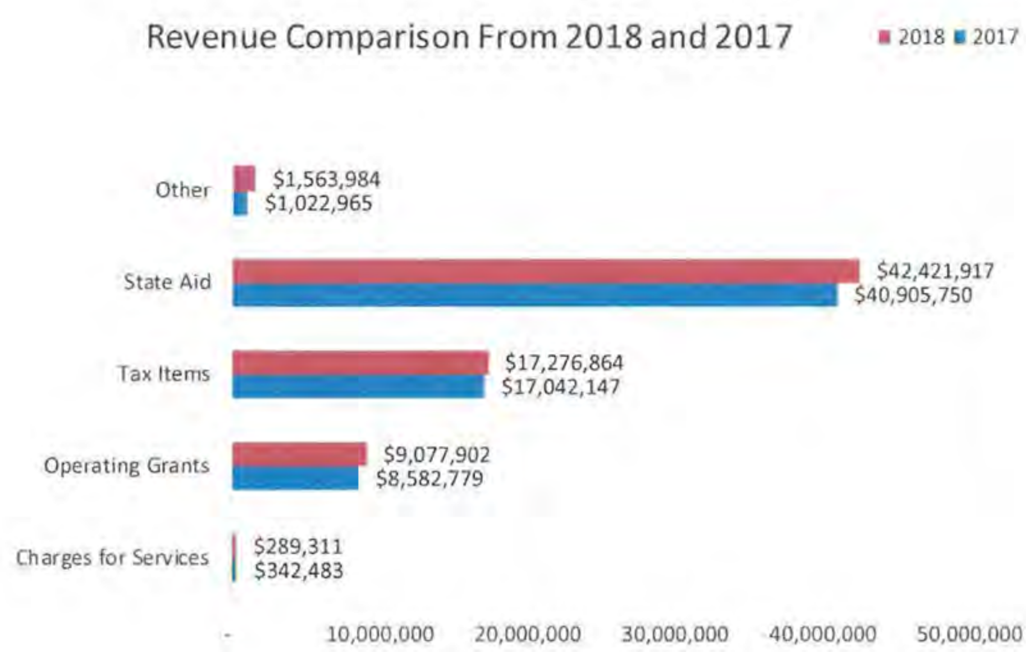
Total revenues increased 4.03%.

The State Aid-General Aid increased over $1.2 million from 2016-2017 to 2017-2018

A miscellaneous item that was not budgeted was Assembly Bullet Aid and this added $100,000 to revenue. Another miscellaneous item that was not budgeted was Utica National Insurance reimbursing for two floods that occurred in August and October 2017 and this added $171,872 in additional revenue.

The Tax Levy increased $246,287 from 2016-17 to 2017-18.

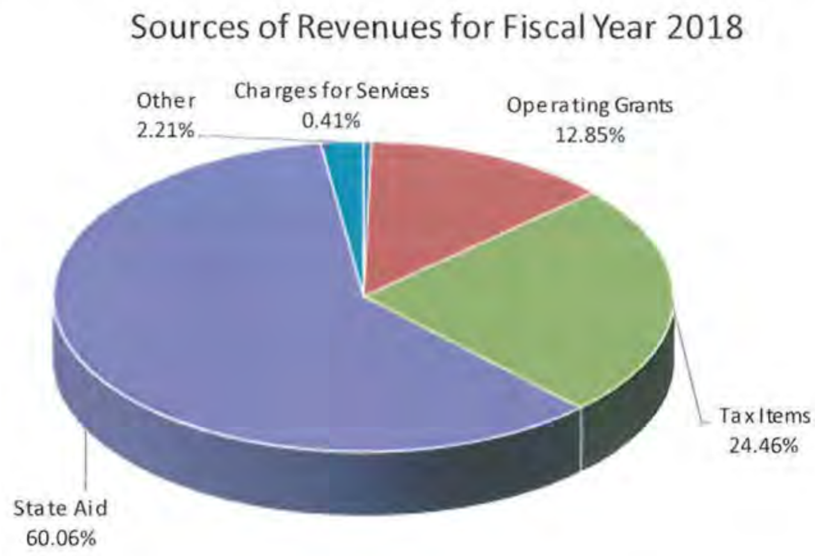
State Pre-K for 3-year olds was new grant in 2017-18 that generated $1,038,277 in additional revenue.



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total expenses increased 6.53%.

General Support

Consists of the Board of Education, Central Administration, Finance, Human Resources, Maintenance, Utilities, Central Printing, Central Data Processing, Fire and Liability Insurance, and BOCES Administrative costs.

Instruction

Includes costs associated with teachers and entire instructional staff including aides and assistants. The large increase in this function in comparison to the prior year can largely be attributed to the allocation of the Other Postemployment Benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

Pupil Transportation

Costs have increased 6.49%. The District put th epupil transportation contract out to bid in November 2017 and the contract was awarded to First Student for the 2018-19 school year.

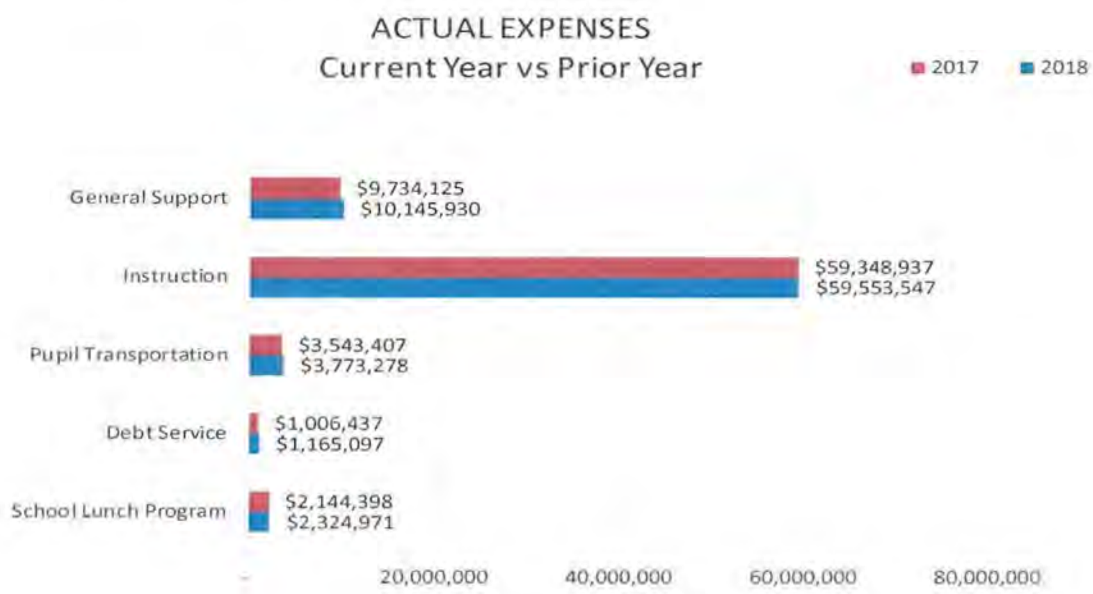
School Lunch Program

The School Lunch Program expenses increased 8.4%. An increase of supplies and salaries/benefits accounted for the increase in this program. The District was eligble for CEP (Community Eligibility Provision) in the 2017-18 school year wheras the students were able to receive a free breakfast and lunch

Debt Service

Debt service – Increased by 15.76%. See note 9 for more details.

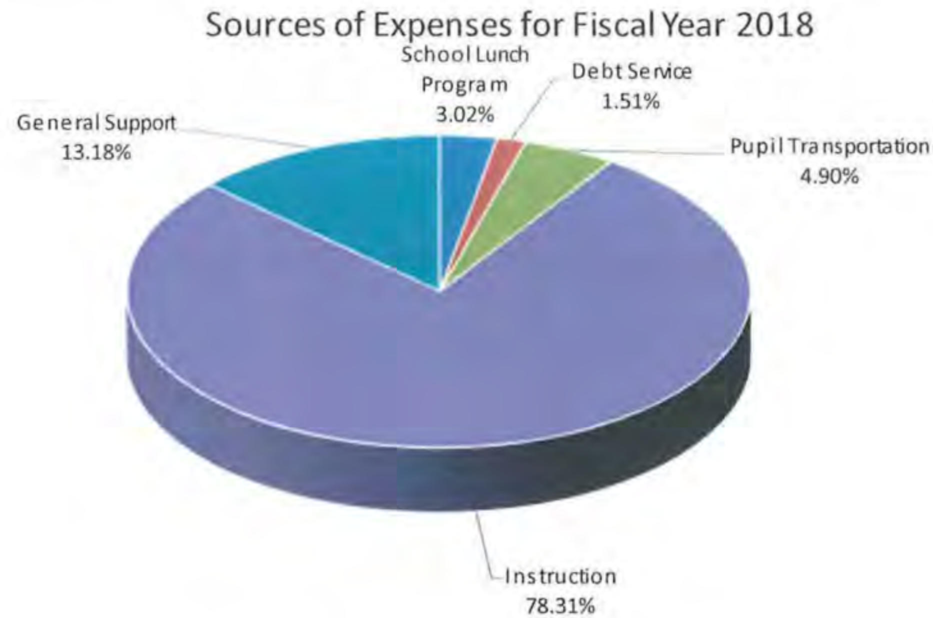
The following chart shows the expenses in district-wide statements for the current year ended June 30, 2018 in comparison to the prior year:



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

Expenses - Continued



CAPITAL ASSETS & DEBT ADMINISTRATION

Table 3: Capital Assets (Net of Accumulated Depreciation) at June 30, 2018

At the end of the fiscal year 2018, the School District had $65,682,397 invested in land, buildings, furniture and equipment, and vehicles.

This table compares fiscal 2017 balances to 2018.

	2017	2018	Total Percentage Change
Land	$ 654,977	$ 654,977	0.00%
Construction in Progress	2,008,046	8,264,265	311.56%
Buildings and Improvements	58,409,656	56,463,323	-3.33%
Furniture and Equipment	522,767	299,832	-42.65%
Total	$ 61,595,446	$ 65,682,397	6.64%

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Land is not depreciable.

The voters approved a capital project on September 23, 2014, in the amount of $12,572,147. The State Education Department approved the construction of a storage building, field house, and press box on February 4, 2016, in the amount of $631,850. This portion of the project is completed. The State Education Department also approved renovations to North Elementary, Knickerbocker Elementary, Sherman Elementary, Ohio Elementary, Wiley Intermediate, and Watertown High School on May 27, 2016, in the amount of $9,086,856. On September 6, 2016, the Board of Education approved to use fund balance to finance the replacement of boilers at Watertown High School and the bidding process for the boilers will begin mid-November. The remainder of the construction project will be bid in January with construction to start in the summer of 2017. Case Middle School was approved by the State Education Department on October 3, 2017, in the amount of $1,939,242. This portion of the project will be bid in November with construction to start in the summer of 2018.

Total Net Capital Assets increased $4,209,221 as a result of excess capital asset additions over current year depreciation.

Short-Term Debt

The District received a Bond Anticipation note in the amont of $12,572,147 on July 13, 2017 to finance the capital project in the short term.

For more information refer to Note 8.

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 2008 to 2016. The earliest bond issue, 2008, will be complete on June 1, 2022. The last date that bonds will be paid is March 15, 2031.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2018 and 2017:

	2016-2017	2017-2018
Due and Payable in One Year	$ 3,588,159	$ 3,733,159
Due and Payable After One Year	100,398,141	195,324,410
Total Long-Term Debt	$ 103,986,300	$ 199,057,569

For more information refer to Note 9.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Table 4: Summary of Governmental Funds Expenditures

Revenues for the District's governmental funds totaled $70,473,580. Expenditures for the year ended June 30, 2018, were $76,981,526, resulting in a deficiency of revenues over expenditures of $(6,507,946).

The cost of the District's activities for 2018 and 2017 were as follows:

	2017	2018
General Support	$ 6,396,814	$ 6,671,626
Instruction	35,815,284	37,745,357
Pupil Transportation	3,357,435	3,578,104
Employee Benefits	17,349,423	17,260,309
Debt Service	4,421,094	4,419,569
Capital Expenditures	1,826,834	6,256,219
Cost of Sales - School Lunch	1,066,113	1,050,342
Total Expenditures	$ 70,232,997	$ 76,981,526

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Financial Position (Year to Year) – General Fund

The General Fund showed an end of year fund balance of $22,687,314. This is down from the prior year's fund balance of $22,889,597. Of this end of year fund balance, $ 233,511 was Nonspendable, $4,232,611 was Restricted, $11,918,493 was Assigned to the 2017-18 budget as a source of funds, leaving $6,302,699 as Unassigned. This represented 8.49% of the 2018-2019 budget and is above the 4% limit established by New York Real Property Tax Law §1318(1). The District plans to establish appropriate reserves and to continue to appropriate fund balance to provide tax relief to district tax payers.

Capital Projects Fund & Debt Service Fund

The District finalized the storage building, field house, and press box in the amount of $801,881. Renovations of the North, Knickerbocker, Ohio, Wiley, and Watertown High School Buildings began in the amount of $9,086,856. Case Middle School was approved on October 3, 2017 in the amount of $1,939,242. The District issued a BAN on July 13, 2017, in the amount of $12,572,147.

School Food Service Fund

The Food Service Fund Balance showed a year-to-year increase of revenues over expenditures of $188,305. In 2016-17 there was a deficiency of revenues over expenditures of $19,321. The current year excess of revenues over expenditures was due mainly to an increase in revenue from Federal sources. The District started Community Eligibility Provision (CEP) in December 2016. This provision provides meals to students in our district at no cost to the families. The District is then reimbursed at a percentage of free and paid rates via the National School Lunch Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Special Aid Fund

Federal and State grants provide funding for specific purposes ranging from academic intervention services to meeting the needs of students with disabilities. The following chart indicates the 2017-2018 allocations for each grant.

	Purpose	2017-2018
Title I	Improving Academic Achievement	$ 1,675,208
Title II	Improving Teacher Quality	191,159
Title III	Limited English Proficiency	410
DODEA II	Department of Defense Grant	172,755
DODEA III	Dept. of Defense - Math Matters	172,980
DODEA IV	Department of Defense Grant	138,518
Pre-K	Federal Pre-K Expansion	1,735,143
Pre-K	State Pre-K For 3 year olds	1,038,277
IDEA	School Age Special Ed	1,102,098
IDEA	Preschool Special Ed	44,125
UPK	Universal Pre-K	372,348
Section 4408	Summer School Handicapped	191,065
	Miscellaneous Unclassified	23,507
		$ 6,857,593

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District budgeted to pay the amortization for the Employees' Retirement System costs. We were financially able to pay cash without going into debt.

The board was able to accomplish the above as we ended the fiscal year 2018 with revenues above the projected estimates.

The School District continues to be in excellent financial condition with a total of $22,687,314 in Fund Balance of which $11,883,114 is restricted for the 2018-19 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and $6,302,699 unassigned for emergency, unanticipated expenditures and future tax levies.

Table 5: Final Revenue Budget Compared to Actual Revenues

	Final Budget	Actual	Variance
Tax Items	$ 17,091,190	$ 17,276,864	$ 185,674
Charges for Services	170,900	229,252	58,352
Use of Money and Property	34,398	70,479	36,081
Sale of Property and Compensation for Loss	16,500	281,933	265,433
Miscellaneous	431,800	729,150	297,350
Interfund Revenue	250,000	250,000	-
State Sources	40,814,760	42,421,917	1,607,157
Federal Sources	380,000	313,046	(66,954)
	$ 59,189,548	$ 61,572,641	2,383,093

The total difference between Final Budgeted Revenues and Actual Revenues for 2017-2018 is $2,383,093. This difference is made up in large part of differences in three areas, miscellaneous sources, state sources, and sale of property and compensation for loss. Miscellaneous sources of revenue were over budgeted by $297,350. This is due to a refund in prior year BOCES expense. State sources were over budgeted by $1,607,157 due to Bullet Aid and an increase in General Aid. Sale of property and compensation for loss sources were over budgeted by $265,433 and the variance can be attributed to an insurance reimbursement check due to flooding.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Table 6: Final Expenditure Budget Compared to Actual Expenditures

	Final Budget	Actual Plus Encumbrances	Variance
General Support	$ 7,527,748	$ 5,805,903	$ 1,721,845
Instruction	36,075,955	31,683,113	4,392,842
Pupil Transportation	4,503,092	3,578,104	924,988
Employee Benefits	18,222,931	16,273,892	1,949,039
Debt Service	4,657,384	4,419,569	237,815
Transfers to Other Funds	105,000	49,722	55,278
	$ 71,092,110	$ 61,810,303	9,281,807

The total difference Final Budgeted Expenditures and Actual Expenditures and Encumbrances was $9,281,807. This variance is due mainly to variances in two areas, Instruction and Employee Benefits. Instruction was under expended by $4,392,842. This variance is due to extra funds built into the budget in areas such as teacher salaries and special education. Employee Benefits was under expended by $1,949,039 as actual rates did not meet budgeted expectations.

CURRENT FINANCIAL ISSUES AND CONCERNS

The Watertown City School District is financially stable. The School District is proud of its community support of the public schools.

The financial and economic condition of the School District could be affected by a variety of factors, some of which are beyond the School District's control. There can be no assurance that adverse events in the city, 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, Tax Certioraris or otherwise, will not occur which might adversely affect the School District. Over the past fourteen years, the School District has set up reserves that will help with the impact of these adversities.

The School District is heavily dependent on financial assistance from the State and Federal Governments and the local property tax. Sixty-nine percent of our revenues are from the State and Federal Governments. Another twenty-three percent is levied on property located within the School District.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CURRENT FINANCIAL ISSUES AND CONCERNS - Continued

These issues require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the Watertown City School District has committed itself to financial stability for many years. The School District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Dale Morrow, Business Manager
Watertown City School District
1351 Washington Street
PO Box 586
Watertown, New York 13601
email: dmorrow@watertowncsd.org

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS		
Cash		
Unrestricted	$	21,782,527
Restricted		5,482,424
Receivables		
Taxes		299,606
State and Federal Aid		4,585,679
Due from Other Governments		961,338
Due from Fiduciary Funds		433
Other		153,958
Inventories		74,497
Prepaid Expenses		233,511
Capital Assets, Net		65,682,397
Net Pension Asset - Proportionate Share		1,111,029
TOTAL ASSETS	$	100,367,399
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	$	16,889,962
Other Postemployment Benefits		4,315,731
Deferred Charge on Refunding		222,205
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	21,427,898
LIABILITIES		
Payables		
Accounts Payable	$	1,033,363
Accrued Liabilities		1,190,459
Due to Fiduciary Funds		79,451
Due to Other Governments		15,587
Accrued Interest on Bonds Payable		463,641
Due to Teachers' Retirement System		2,475,519
Due to Employees' Retirement System		215,194
Compensated Absences Payable - Current		7,845
Notes Payable		
Bond Anticipation Note		12,572,147
Unearned Credits		
Unearned Revenues - Other		74,747
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		3,733,159
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		24,372,347
Compensated Absences Payable		719,336
Net Pension Liability - Proportionate Share		627,352
Other Postemployment Benefits Payable		169,605,375
TOTAL LIABILITIES	$	217,185,522
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	$	19,497,211
Pensions		5,319,445
TOTAL DEFERRED INFLOWS OF RESOURCES	$	24,816,656
NET POSITION		
Net Investment in Capital Assets	$	28,732,950
Restricted		
Debt Service		1,416,963
Other Legal Restrictions		4,232,611
Unrestricted (Deficit)		(154,589,405)
TOTAL NET POSITION	$	(120,206,881)

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	$ 10,145,930	$ -	$ -	$ (10,145,930)
Instruction	59,553,547	229,252	6,819,380	(52,504,915)
Pupil Transportation	3,773,278	-	-	(3,773,278)
Debt Service - Interest	1,165,097	-	-	(1,165,097)
School Food Service Program	2,324,971	60,059	2,258,522	(6,390)
Total Functions and Programs	$ 76,962,823	$ 289,311	$ 9,077,902	(67,595,610)
GENERAL REVENUES				
Real Property Taxes				14,201,372
Other Tax Items				3,075,492
Use of Money and Property				83,457
Sale of Property and Compensation for Loss				281,933
Miscellaneous				885,548
State Sources				42,421,917
Federal Sources				313,046
Total General Revenues				61,262,765
Change in Net Position				(6,332,845)
Net Position - Beginning of Year, As Restated				(113,874,036)
Net Position - End of Year				$ (120,206,881)

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Aid Fund
ASSETS		
Cash		
Unrestricted	$ 14,843,013	$ 770,267
Restricted	4,232,611	-
Receivables		
Taxes	299,606	-
State and Federal Aid	939,180	3,495,134
Due from Other Funds	5,503,198	68,612
Due from Fiduciary Funds	433	-
Due from Other Governments	951,779	-
Other	151,965	1,993
Inventories	-	-
Prepaid Expenses	233,511	-
TOTAL ASSETS	$ 27,155,296	$ 4,336,006
LIABILITIES		
Payables		
Accounts Payable	$ 597,378	$ 331,197
Accrued Liabilities	1,090,279	70,002
Due to Other Governments	-	15,521
Due to Other Funds	2,316	3,844,539
Due to Fiduciary Funds	79,451	-
Due to Teachers' Retirement System	2,475,519	-
Due to Employees' Retirement System	215,194	-
Compensated Absences Payable	7,845	-
Notes Payable		
Bond Anticipation Note Payable	-	-
Unearned Credits		
Unearned Revenues- Other	-	74,747
Total Liabilities	4,467,982	4,336,006
FUND BALANCES		
Nonspendable	233,511	-
Restricted	4,232,611	-
Assigned	11,918,493	-
Unassigned (Deficit)	6,302,699	-
Total Fund Balances (Deficits)	22,687,314	-
TOTAL LIABILITIES AND FUND BALANCES	$ 27,155,296	$ 4,336,006

Capital Projects Fund	Non-Major Funds	Total Governmental Funds
$ 5,361,397	$ 807,850	$ 21,782,527
-	1,249,813	5,482,424
-	-	299,606
-	151,365	4,585,679
-	169,466	5,741,276
-	-	433
-	9,559	961,338
-	-	153,958
-	74,497	74,497
-	-	233,511
$ 5,361,397	$ 2,462,550	$ 39,315,249
$ 102,154	$ 2,634	$ 1,033,363
-	30,178	1,190,459
-	66	15,587
1,753,242	141,179	5,741,276
-	-	79,451
-	-	2,475,519
-	-	215,194
-	-	7,845
12,572,147	-	12,572,147
-	-	74,747
14,427,543	174,057	23,405,588
-	74,497	308,008
-	1,416,963	5,649,574
-	797,033	12,715,526
(9,066,146)	-	(2,763,447)
(9,066,146)	2,288,493	15,909,661
$ 5,361,397	$ 2,462,550	$ 39,315,249

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

June 30, 2018

Total Fund Balance - Governmental Funds		$ 15,909,661
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		1,111,029
Net Pension Liability - Proportionate Share - ERS		(627,352)
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:		
Other Postemployment Benefits	$ 19,497,211	
Pensions	5,319,445	(24,816,656)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:		
Other Postemployment Benefits	$ 4,315,731	
Pensions	16,889,962	
Deferred Charge on Refunding	222,205	21,427,898
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	$ 100,932,976	
Accumulated Depreciation is	(35,250,579)	65,682,397
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	$ 25,095,000	
Accrued Interest on Bonds Payable	463,641	
Compensated Absences Payable	719,336	
Other Postemployment Benefits Payable	169,605,375	
Premium on Bond Issue	3,010,506	(198,893,858)
Total Net Position - Governmental Activities		$ (120,206,881)

See notes to audited basic financial statements.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	General Fund	Special Aid Fund
REVENUES		
Real Property Taxes	$ 14,201,372	$ -
Other Tax Items	3,075,492	-
Charges for Services	229,252	-
Sale of Property and Compensation for Loss	281,933	-
Use of Money and Property	70,479	-
Miscellaneous	729,150	-
State Sources	42,421,917	1,586,984
Federal Sources	313,046	5,232,396
Surplus Food	-	-
Sales - School Food Service	-	-
Total Revenues	61,322,641	6,819,380
EXPENDITURES		
General Support	5,796,092	60,045
Instruction	31,657,545	6,087,812
Pupil Transportation	3,578,104	-
Employee Benefits	16,273,892	709,735
Debt Service:		
Principal	3,185,000	-
Interest	1,234,569	-
Cost of Sales - School Food Service	-	-
Capital Outlay	-	-
Total Expenditures	61,725,202	6,857,592
Excess (Deficiency) of Revenues Over Expenditures	(402,561)	(38,212)
OTHER FINANCING SOURCES AND (USES)		
Debt Issuance Costs	-	-
Operating Transfers In	250,000	38,212
Operating Transfers (Out)	(49,722)	-
Premium on Debt Issuance	-	-
Total Other Financing Sources (Uses)	200,278	38,212
Net Change in Fund Balances	(202,283)	-
Fund Balances (Deficits) - Beginning of Year	22,889,597	-
Fund Balances (Deficits) - End of Year	$ 22,687,314	$ -

Capital Projects Fund	Non-Major Funds	Total Governmental Funds
$ -	$ -	$ 14,201,372
-	-	3,075,492
-	-	229,252
-	-	281,933
-	12,978	83,457
-	2,268	731,418
-	56,482	44,065,383
-	2,049,749	7,595,191
-	152,291	152,291
-	57,791	57,791
-	2,331,559	70,473,580
-	815,489	6,671,626
-	-	37,745,357
-	-	3,578,104
-	276,682	17,260,309
-	-	3,185,000
-	-	1,234,569
-	1,050,342	1,050,342
6,256,219	-	6,256,219
6,256,219	2,142,513	76,981,526
(6,256,219)	189,046	(6,507,946)
-	(3,127)	(3,127)
-	11,510	299,722
-	(250,000)	(299,722)
-	156,398	156,398
-	(85,219)	153,271
(6,256,219)	103,827	(6,354,675)
(2,809,927)	2,184,666	22,264,336
$ (9,066,146)	$ 2,288,493	$ 15,909,661

See notes to audited basic financial statements.

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

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (6,354,675)

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 individual cost of more than $5,000 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	$ 6,312,525	
Depreciation Expense	(2,103,304)	4,209,221

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. 3,185,000

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 thus 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 following items resulted in decreased interest expense being reported in the Statement of Activities:

Change in Accrued Interest Payable	$ (284,146)	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding	353,618	69,472

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and 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). (16,245)

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED
Year Ended June 30, 2018

In 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.			(6,948,849)
(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	$	(482,040)	
Employees' Retirement System		5,271	(476,769)
Change in Net Position of Governmental Activities			$ (6,332,845)

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Restricted Cash	$ 21,584	$ 1,033,899
Due From Governmental Funds	-	79,451
Total Assets	$ 21,584	$ 1,113,350
LIABILITIES		
Due to Governmental Funds	$ -	$ 433
Extra Classroom Activity Balances	-	99,441
Other Liabilities	-	1,013,476
Total Liabilities	-	$ 1,113,350
NET POSITION		
Restricted for Scholarships	$ 21,584	

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

		Private Purpose Trusts
ADDITIONS		
Interest Earnings/Total Additions	$	25
DEDUCTIONS		
Scholarships and Awards/Total Deductions		200
Change in Net Position		(175)
Net Position - Beginning of Year		21,759
Net Position - End of Year	$	21,584

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Watertown City 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 Watertown City 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 one of 18 component districts 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 $5,921,871 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $2,496,972. This represents state aid distributions of $2,115,164 and 2017 fund balance returned to schools of $381,808.

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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.

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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - Continued

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, 2017 and became a lien on September 5, 2017. Taxes are collected during the period October 2, 2017 to December 5, 2017.

The City and County in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

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.

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 expenditures and revenues to provide financing or other services.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions - Continued

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 11 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.

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 receivable 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 and Prepaid Items

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.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the *Statement of Net Position* or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) have been identified as not available for other subsequent expenditures.

Other Assets

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to July 1, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. 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 assets 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 & Improvements	$ 10,000	SL	7-50 yrs
Furniture and Equipment	5,000	SL	3-20 yrs

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's 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 two items that qualify for reporting in this category. The first 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 second 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.

Unearned Revenue

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

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt - Continued

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 fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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 $74,497 and prepaid expenditures in the General Fund of $233,511.

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 for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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.

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.

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Liability Claims and Property Loss

According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or $15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population under 125,000. 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

Repairs

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

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Restricted fund balance includes the following at June 30, 2018:

General Fund		
Employee Benefit Accrued Liability	$	611,284
Liability Claims		1,419,724
Insurance		191,232
Property Loss		33,580
Repairs		27,988
Retirement Contributions		739,880
Tax Certiorari		647,519
Unemployment Insurance		561,404
Debt Service Fund		1,416,963
Total Restricted Funds	$	5,649,574

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.

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 17 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 ended June 30, 2018.

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.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

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 Section 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 the establishment of appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

The Capital Projects Fund had a deficit balance of $9,066,146. This will be funded when the District obtains permanent financing for its current construction project.

The District's School Food Service fund balance was in excess of the allowable 3 months average expenditures under 7 CFR §210.9b by $157,732, however, the District has an approved plan with the New York State Education Department to reduce the excess fund balance to an amount within the allowable limits.

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.

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 - Continued

Cash - Continued

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$ 28,052,343

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 $5,482,424 within the governmental funds and $1,056,495 in the fiduciary 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.

Pooled Accounts

The following funds participated in pooled money market accounts:

General Fund	$ 5,986,001
School Food Service Fund	680,593
Special Aid Fund	582,747
Capital Projects Fund	4,739,994
Total Pooled Book Balance	$ 11,989,335

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - RECEIVABLES

Receivables at year-end are as follows:

Description	General	Special Aid	School Food Service	Total
Taxes	$ 299,606	$ -	$ -	$ 299,606
State and Federal Aid Receivable	939,180	3,495,134	151,365	4,585,679
Due from Fiduciary Funds	433	-	-	433
Due from Other Governments	951,779	-	9,559	961,338
Other	151,965	1,993	-	153,958
Total	$ 2,342,963	$ 3,497,127	$ 160,924	$ 6,001,014

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	$ 654,977	$ -	$ -	$ 654,977
Construction in Progress	2,008,046	6,256,219	-	8,264,265
Total Nondepreciable Assets	2,663,023	6,256,219	-	8,919,242
Capital Assets That Are Depreciated:				
Buildings and Improvements	85,614,051	-	-	85,614,051
Furniture and Equipment	6,365,225	56,306	21,848	6,399,683
Total Depreciable Assets	91,979,276	56,306	21,848	92,013,734
Less: Accumulated Depreciation				
Buildings and Improvements	27,204,395	1,803,472	-	29,007,867
Furniture and Equipment	5,964,728	299,832	21,848	6,242,712
Total Accumulated Depreciation	33,169,123	2,103,304	21,848	35,250,579
Total Depreciated Assets, Net	58,810,153	(2,046,998)	-	56,763,155
Capital Assets, Net	$ 61,473,176	$ 4,209,221	$ -	$ 65,682,397

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	$ 2,029,688
Instruction	52,583
School Food Service	21,033
Total Depreciation Expense	$ 2,103,304

NOTE 8 - SHORT-TERM DEBT OBLIGATIONS

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

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/13/2018	2.5%	$ -	$ 12,572,147	$ -	$ 12,572,147

Interest on short-term debt for the year was composed of:

Interest Paid	$ -
Less: Accrued Interest in the Prior Year	-
Plus: Accrued Interest in the Current Year	303,109
Interest Expense	$ 303,109

The proceeds of the BAN were used as short-term financing for a capital project.

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	$ 28,280,000	$ -	$ 3,185,000	$ 25,095,000	$ 3,330,000
Premium on Bonds	3,413,665	-	403,159	3,010,506	403,159
Total Bonds & Notes Payable	31,693,665	-	3,588,159	28,105,506	3,733,159
Other Liabilities					
Compensated Absences Payable	703,091	16,245	-	719,336	-
Other Postemployment Benefits Liability, as Restated	181,828,772	-	12,223,397	169,605,375	-
Net Pension Liability Proportionate Share	3,199,004	-	2,571,652	627,352	-
Total Other Liabilities	185,730,867	16,245	14,795,049	170,952,063	-
Total Governmental Activities	$ 217,424,532	$ 16,245	$ 18,383,208	$ 199,057,569	$ 3,733,159

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 Bond	6/14/2012	3/15/2031	2.0-5.0%	$ 7,520,000
Serial Bond	10/31/2012	6/1/2026	2.0-5.0%	10,030,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	2,185,000
Serial Bond	5/27/2016	6/1/2022	2.0-4.0%	5,360,000
				$ 25,095,000

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	$ 3,330,000	$ 1,082,419	$ 4,412,419
2020	3,470,000	961,569	4,431,569
2021	3,590,000	824,019	4,414,019
2022	3,765,000	661,294	4,426,294
2023	2,470,000	485,894	2,955,894
2024-2028	7,780,000	1,028,191	8,808,191
2029-2031	690,000	30,544	720,544
Total	$ 25,095,000	$ 5,073,930	$ 30,168,930

Advanced Refunding/Defeased Bonds

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Bonds outstanding in the amount of $11,807,000 are considered defeased.

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

Interest Paid	$ 1,234,569
Less: Interest Accrued in the Prior Year	(179,495)
Plus: Interest Accrued in the Current Year	160,532
Less: Amortization of Bond Premium	(403,159)
Plus: Amortization of Deferred Charge on Refunding	49,541
Total Expense	$ 861,988

NOTE 10 - PENSION PLANS

General Information

The District participates in 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 10 - PENSION PLANS

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 10 - 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 10 - 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

TRS Benefits Provided- Continued

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%.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - 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 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

ERS Benefits Provided – Continued

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 4 four years.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

ERS Benefits Provided – Continued

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 10 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.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2017 and received an overall discount of $ 7,020).

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	$ 2,714,699	$ 826,463
2016-2017	2,906,016	783,160
2015-2016	3,873,186	905,777

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

Funding Policies - Continued

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.

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)	$ (627,352)	$ 1,111,029
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.019438%	0.146169%
Change in Proportion Since the Prior Measurement Date	0.001581%	0.004146%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

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

For the year ended June 30, 2018, the District's recognized pension expense (credit) of ($5,271) for ERS and $482,040 for TRS. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	$ 223,756	$ 914,104	$ 184,904	$ 433,177
Changes of Assumptions	415,987	11,304,935	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	911,180	-	1,798,578	2,616,795
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	217,512	348,083	33,454	252,537
District's Contributions Subsequent to the Measurement Date	215,194	2,339,211	-	-
Total	$ 1,983,629	$ 14,906,333	$ 2,016,936	$ 3,302,509

District contributions subsequent to the measurement date 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	$ 206,631	$ 285,280
2020	149,601	3,019,114
2021	(422,775)	2,168,539
2022	(181,958)	559,519
2023	-	2,162,312
Thereafter	-	1,069,849

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - 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	7.00%	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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - PENSION PLANS- Continued

Actuarial Assumptions – Continued

	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		0.60%
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 10 - 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 (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (4,746,718)	$ (627,352)	$ 2,857,466

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (19,139,737)	$ 1,111,029	$ 18,070,040

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
Measurement 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 10 - 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 $215,194. 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 $2,475,519.

NOTE 11 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2018 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	$ 5,503,631	$ 81,767	$ 250,000	$ 49,722
Special Aid	68,612	3,844,539	38,212	-
School Food Service	2,316	141,179	11,510	-
Debt Service	167,150	-	-	250,000
Capital Projects	-	1,753,242	-	-
Total Government Activities	5,741,709	5,820,727	299,722	299,722
Fiduciary	79,451	433	-	-
Total	$ 5,821,160	$ 5,821,160	$ 299,722	$ 299,722

The District typically loans resources between funds for the purpose of mitigating the effects of transient 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 12 – 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	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
Non-Spendable					
Inventory	$ -	$ 74,497	$ -	$ -	$ 74,497
Prepaids	233,511	-	-	-	233,511
Restricted					
Employee Benefit Accrued Liability	611,284	-	-	-	611,284
Liability Claims	1,419,724	-	-	-	1,419,724
Insurance	191,232	-	-	-	191,232
Property Loss	33,580	-	-	-	33,580
Repairs	27,988	-	-	-	27,988
Retirement Contributions	739,880	-	-	-	739,880
Tax Certiorari	647,519	-	-	-	647,519
Unemployment Insurance	561,404	-	-	-	561,404
Debt Service	-	-	1,416,963	-	1,416,963
Assigned					
General Support	9,811	-	-	-	9,811
Instruction	25,568	-	-	-	25,568
Designated for Next Fiscal year	11,883,114	-	-	-	11,883,114
School Food Service Fund	-	797,033	-	-	797,033
Unassigned (Deficit)					
General Fund	6,302,699	-	-	-	6,302,699
Capital Projects	-	-	-	(9,066,146)	(9,066,146)
Total Governmental Fund Balance	$ 22,687,314	$ 871,530	$1,416,963	$(9,066,146)	$ 15,909,661

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – 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	622
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	509
Total Covered Employees	1,131

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 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

General Information about the OPEB Plan - Continued

Retirees and dependents contribute to postretirement health care benefits based on the schedule as follows:

Years of Service	Retiree Contribution	Spousal Contribution
5 - 9	75% of Single Premium	75% of Family Premium Less Single Premium
10 - 19	50% of Single Premium	50% of Family Premium Less Single Premium
20 - 24	25% of Single Premium	25% of Family Premium Less Single Premium
25 +	0% of Single Premium	0% of Family Premium Less Single Premium

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2018, the District recognized $ 4,629,539 for its share of insurance premiums for currently enrolled retirees.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2018 which indicates that the total liability for other postemployment benefits is $169,605,375 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2017 and was determined by actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2016 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 reached 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 reached 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 reached 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 reached the Ultimate Trend Rate	2075

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - 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)	7.466
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, 2016 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	$ 181,828,772
Changes for the Year	
Service Cost	5,842,834
Interest	5,421,746
Changes of Assumptions or Other Inputs	(19,497,211)
Benefit Payments	(3,990,766)
Net Changes	(12,223,397)
Balance at June 30, 2018	$ 169,605,375

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability - Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the 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	$ 204,712,739	$ 169,605,375	$ 147,662,608

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 (trend decreasing to 2.886 percent) or 1 percentage point higher (trend increasing to 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	$ 143,942,450	$ 169,605,375	$ 210,863,212

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - 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 negative OPEB expense of $6,948,849. 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	$ -	$ 19,497,211
Benefit Payments Subsequent to the Measurement Date	4,315,731	-
	$ 4,315,731	$ 19,497,211

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	$ (2,702,671)
2020	(2,638,592)
2021	(2,638,592)
2022	(2,567,546)
2023	(2,454,859)
Thereafter	(6,494,951)
	$ (19,497,211)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - 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 15 – 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.

NOTE 16 – TAX ABATEMENTS

The District receives revenue through a number of Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Development Agency or directly by the municipalities where the properties are located. The purpose of the PILOT agreements is to provide real property tax abatement for value added construction on renovations.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – TAX ABATEMENTS - Continued

For the fiscal year ended June 30, 2018, the District's portion of the Pilots was approximately $322,000 and the District abated the following taxes:

Owner Name	Assessed Value	School Taxable	PILOT Payment	School Abatement	% Abated	Start Date	End Date
JCIDA - WICLDC	$1,374,000	$0	$8,941	$5,235	37%	2017	2025
JCIDA - Stream	$4,488,600	$0	$46,311	$0	0%	2003	2017
JCIDA - Roth Industries	$1,794,300	$0	$13,884	$4,628	25%	2006	2020
JCIDA - Woolworth Watertown LLC	$2,708,800	$0	$3,675	$24,273	87%	2015	2029
JCIDA - New York Airbrake	$960,000	$0	$2,476	$7,429	75%	2017	2032
JCIDA - Current Applications	$435,700	$0	$1,124	$3,371	75%	2016	2030
JCIDA - Rail Spur	$60,000	$0	$0	$619	100%	2006	none
JCIDA - Stebbins Engineering	$307,100	$0	$0	$3,168	100%	1997	2016
JCIDA -COR	$7,129,000	$0	$29,640	$74,783	72%	2015	2025
JCIDA - Morgan	$22,733,800	$0	$117,277	$166,498	75%	2015	2030
Watertown Housing Authority	$19,873,900	$66,700	$60,296	$144,063	70%	various	none
HKBBE Apartments	$11,258,300	$0	$0	$116,156	100%	2017	2058
Brighton Apartments	$871,900	$0	$4,774	$4,222	47%	1991	2016
Bugbee Housing	$1,589,200	$0	$0	$16,396	100%	1987	2016
Olympic Apartments	$1,457,300	$0	$4,641	$10,395	69%	1991	2016
Creekwood Housing Development Fund Company Inc	$3,024,200	$186,600	$0	$29,277	94%	2013	2022
Creekwood II Housing Development Fund Company Inc	$5,809,800	$226,000	$0	$57,610	96%	2014	2023
Creekwood Housing Development Fund Company Inc	$2,188,300	$183,700	$0	$20,682	92%	2013	2022
Curtis Apartments Assoc	$2,121,300	$0	$7,760	$14,126	65%	1978	2018
Watertown Associates	$4,887,350	$0	$21,340	$29,085	58%	1982	2021
Totals	$95,072,850	$663,000	$322,138	$732,017			

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 17 – 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 $109,447,466 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	$ (4,426,570)
GASB Statement No. 75 Adjustments	
Net Increase in Total OPEB Liability - GASB 75 Implementation	(113,438,232)
Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to Measurement Date	3,990,766
Net Position Beginning of Year, as Restated	$ (113,874,036)

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2018, which is the date of the issuance of the financial statements.

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

Year Ended June 30, 2018

Total OPEB Liability	
Service Cost	$ 5,842,834
Interest	5,421,746
Changes in Assumptions or Other Inputs	(19,497,211)
Benefit Payments	(3,990,766)
Net Change in Total OPEB Liability	(12,223,397)
Total OPEB Liability - Beginning	181,828,772
Total OPEB Liability - Ending	$ 169,605,375
Covered Payroll	$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	566.69%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each subsequent 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	$ 15,709,725	$ 14,198,915
Other Tax Items	1,381,465	2,892,275
Charges for Services	170,900	170,900
Use of Money and Property	34,398	34,398
Sale of Property and Compensation for Loss	16,500	16,500
Miscellaneous	431,800	431,800
Total Local Sources	17,744,788	17,744,788
State Sources	40,814,760	40,814,760
Federal Sources	380,000	380,000
Total Revenues	58,939,548	58,939,548
OTHER FINANCING SOURCES		
Transfers from Other Funds	250,000	250,000
Total Revenues and Other Financing Sources	59,189,548	59,189,548
EXPENDITURES		
General Support		
Board of Education	26,701	26,701
Central Administration	290,285	290,285
Finance	552,069	552,069
Staff	346,835	346,835
Central Services	5,353,512	5,353,510
Special Items	958,348	958,348
Total General Support	7,527,750	7,527,748
Instruction		
Instruction, Administration and Improvement	2,588,585	2,598,585
Teaching-Regular School	20,160,409	20,060,409
Programs for Children with Handicapping Conditions	6,148,092	6,148,092
Teaching - Special School	470,598	470,598
Occupational Education	2,204,310	2,204,310
Instructional Media	1,993,302	1,993,304
Pupil Services	2,492,857	2,600,657
Total Instruction	36,058,153	36,075,955
Pupil Transportation	4,520,892	4,503,092
Employee Benefits	18,222,931	18,222,931
Debt Service	4,657,384	4,657,384
Total Expenditures	70,987,110	70,987,110
OTHER FINANCING USES		
Transfers to Other Funds	105,000	105,000
Total Expenditures and Other Financing Uses	71,092,110	71,092,110
Net Change in Fund Balance	(11,902,562)	(11,902,562)
Fund Balance - Beginning	22,889,597	22,889,597
Fund Balance - Ending	$ 10,987,035	$ 10,987,035

Actual	Final Budget Variance With Actual
$ 14,201,372	$ 2,457
3,075,492	183,217
229,252	58,352
70,479	36,081
281,933	265,433
729,150	297,350
18,587,678	842,890
42,421,917	1,607,157
313,046	(66,954)
61,322,641	2,383,093
250,000	-
61,572,641	$ 2,383,093

Actual	Year-End Encumbrances	Final Budget Variance with Actual And Encumbrances
9,815	$ -	$ 16,886
255,856	-	34,429
458,118	-	93,951
278,087	-	68,748
3,898,311	9,811	1,445,388
895,905	-	62,443
5,796,092	9,811	1,721,845
2,073,004	-	525,581
17,950,306	25,568	2,084,535
5,403,271	-	744,821
149,758	-	320,840
2,084,786	-	119,524
1,739,710	-	253,594
2,256,710	-	343,947
31,657,545	25,568	4,392,842
3,578,104	-	924,988
16,273,892	-	1,949,039
4,419,569	-	237,815
61,725,202	35,379	9,226,529
49,722	-	55,278
61,774,924	$ 35,379	$ 9,281,807
(202,283)		
22,889,597		
$ 22,687,314		

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

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
District's Proportion of the Net Pension Asset (Liability)	0.146169%	0.142023%	0.147088%	0.150523%
District's Proportionate Share of the Net Pension Asset (Liability)	$ 1,111,029	$ (1,521,131)	$ 15,277,757	$ 16,767,331
District's Covered Payroll	$ 23,162,957	$ 21,915,656	$ 22,121,967	$ 22,234,730
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	4.80%	6.94%	69.06%	75.41%
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)				
District's Proportion of the Net Pension Asset (Liability)	0.0194381%	0.0178569%	0.0192270%	0.0189420%
District's Proportionate Share of the Net Pension Asset (Liability)	$ (627,352)	$ (1,677,873)	$ (3,199,004)	$ (639,906)
District's Covered Payroll	$ 5,647,489	$ 5,197,849	$ 5,223,625	$ 5,398,372
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	11.11%	32.28%	61.24%	11.85%
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 subsequent 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	$ 2,714,699	$ 2,906,016	$ 3,873,186	$ 3,741,295
Contributions in Relation to the Contractually Required Contribution	2,714,699	2,906,016	3,873,186	3,741,295
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 23,162,957	$ 21,915,656	$ 22,121,967	$ 22,234,730
Contributions as a Percentage of Covered Payroll	11.72%	13.26%	17.51%	16.83%
Employees' Retirement System (ERS)				
Contractually Required Contribution	$ 826,463	$ 783,160	$ 905,777	$ 1,043,107
Contributions in Relation to the Contractually Required Contribution	826,463	783,160	905,777	1,043,107
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,647,489	$ 5,197,849	$ 5,223,625	$ 5,398,372
Contributions as a Percentage of Covered Payroll	14.63%	15.07%	17.34%	19.32%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each subsequent 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	$ 71,072,662
Add: Prior Year's Encumbrances	19,448
Original Budget	71,092,110
Budget Revision	-
Final Budget	$ 71,092,110

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 Voter Approved Expenditure Budget		$ 74,248,652
Maximum Allowed 4% of 2018 - 2019 Budget		$ 2,969,946
General Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 11,918,493	
Unassigned Fund Balance	6,302,699	
Total Unrestricted Fund Balance	18,221,192	
Less:		
Appropriated Fund Balance	11,883,114	
Encumbrances Included in Assigned Fund Balance	35,379	
Total Adjustments	11,918,493	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 6,302,699
Actual Percentage		8.49%

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
Year Ended June 30, 2018

			Expenditures				Methods of Financing					
PROJECT TITLE	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	Fund Balance (Deficit) 6/30/2018
Press Box/Maint Bldg	$ 602,350	$ 813,660	$ 801,881	$ 26,392	$ 828,273	$ (14,613)	$ -	$ -	$ -	$ -	$ -	$ (828,273)
Additions & Renovations	11,969,797	11,758,487	2,008,046	6,229,827	8,237,873	3,520,614	-	-	-	-	-	$ (8,237,873)
Total	$ 12,572,147	$ 12,572,147	$ 2,809,927	$ 6,256,219	$ 9,066,146	$ 3,506,001	$ -	$ -	$ -	$ -	$ -	$ (9,066,146)

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

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

	School Food Service Fund	Debt Service Fund	Total Non-Major Funds
ASSETS			
Cash and Cash Equivalents			
Unrestricted	$ 807,850	$ -	$ 807,850
Restricted	-	1,249,813	1,249,813
Receivables			
Due From Other Funds	2,316	167,150	169,466
Due From Other Governments	9,559	-	9,559
State and Federal Aid Receivable	151,365	-	151,365
Inventories	74,497	-	74,497
TOTAL ASSETS	$ 1,045,587	$ 1,416,963	$ 2,462,550
LIABILITIES			
Payables			
Accounts Payable	$ 2,634	$ -	$ 2,634
Accrued Liabilities	30,178	-	30,178
Due to Other Funds	141,179	-	141,179
Due to Other Governments	66	-	66
TOTAL LIABILITIES	174,057	-	174,057
FUND BALANCES			
Nonspendable	74,497	-	74,497
Restricted	-	1,416,963	1,416,963
Assigned	797,033	-	797,033
Total Fund Balances	871,530	1,416,963	2,288,493
TOTAL LIABILITIES AND FUND BALANCES	$ 1,045,587	$ 1,416,963	$ 2,462,550

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

Year Ended June 30, 2018

	School Food Service Fund	Debt Service Fund	Total Non-Major Funds
REVENUES			
Use of Money and Property	$ 727	$ 12,251	$ 12,978
Miscellaneous	2,268	-	2,268
State Sources	56,482	-	56,482
Federal Sources	2,049,749	-	2,049,749
Surplus Food	152,291	-	152,291
Sales - School Food Service	57,791	-	57,791
Total Revenues	2,319,308	12,251	2,331,559
EXPENDITURES			
General Support	815,489	-	815,489
Employee Benefits	276,682	-	276,682
Cost of Sales - School Food Service	1,050,342	-	1,050,342
Total Expenditures	2,142,513	-	2,142,513
Excess of Revenues Over Expenditures	176,795	12,251	189,046
OTHER FINANCING SOURCES AND (USES)			
Debt Issuance Costs	-	(3,127)	(3,127)
Operating Transfers In	11,510	-	11,510
Operating Transfers (Out)	-	(250,000)	(250,000)
Premium on Debt Issuance	-	156,398	156,398
Total Other Financing Sources and (Uses)	11,510	(96,729)	(85,219)
Net Change in Fund Balances	188,305	(84,478)	103,827
Fund Balances - Beginning of Year	683,225	1,501,441	2,184,666
Fund Balances - End of Year	$ 871,530	$ 1,416,963	$ 2,288,493

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

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2018

Capital Assets, Net		$ 65,682,397
Add:		
Deferred Charge on Refunding		222,205
Deduct:		
Bond Anticipation Note	$ 12,572,147	
Less: Unspent Ban Proceeds	(3,506,001)	
Premium on Bonds Payable	3,010,506	
Short-Term Portion of Bonds Payable	3,330,000	
Long-Term Portion of Bonds Payable	21,765,000	37,171,652
Net Investment in Capital Assets		$ 28,732,950

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
WATERTOWN CITY SCHOOL DISTRICT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Watertown City School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Watertown City School District's basic financial statements and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

Bowers & Company

Watertown, New York
September 28, 2018

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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
WATERTOWN CITY SCHOOL DISTRICT**

Report on Compliance for Each Major Federal Program

We have audited Watertown City 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 Watertown City School District's major federal programs for the year ended June 30, 2018. Watertown City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Watertown City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Watertown City 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 the Watertown City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Watertown City 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 Watertown City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Watertown City 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 the Watertown City 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 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 preceding paragraph 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 28, 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 NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-17-1205	$ 65,706
Title I Grants to Local Educational Agencies	84.010	0011-17-2577	3,139
Title I Grants to Local Educational Agencies	84.010	0021-18-1205	1,585,330
Title I Grants to Local Educational Agencies	84.010	0011-18-2577	21,033
Total Title I Grants to Local Educational Agencies			1,675,208
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	0032-18-0323	1,102,098
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-18-0323	44,125
Total Special Education Cluster			1,146,223
Preschool Development Grants	84.419	8120-17-1004	1,735,143
Improving Teacher Quality State Grant	84.367	0147-17-1205	9,898
Improving Teacher Quality State Grant	84.367	0147-18-1205	181,261
Total Improving Teacher Quality State Grant			191,159
English Language Acquisition State Grants	84.365	0293-18-1205	410
Total English Language Acquisition State Grants			410
Total Passed Through NYS Education Department			4,748,143
Direct Program:			
Impact Aid	84.041		199,333
Total Direct Programs from U.S. Department of Education			199,333
Total U.S. Department of Education			4,947,476
U. S. Department of Defense			
Direct Programs:			
Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556		484,253
Total Direct Programs from U.S. Department of Defense			484,253
Total U.S. Department of Defense			484,253
U. S. Department of Agriculture			
Passed-Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555		152,291
Non-Cash Assistance Subtotal			152,291
Cash Assistance			
School Breakfast Program	10.553		506,587
National School Lunch Program	10.555		1,452,859
Summer Food Service Program	10.559		90,303
Cash Assistance Subtotal			2,049,749
Total Child Nutrition Cluster			2,202,040
Total Passed Through NYS Education Department			2,202,040
Total U.S. Department of Agriculture			2,202,040
Total Federal Assistance			$ 7,633,769

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 CERTAIN 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 *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in 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.

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 programs 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.

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUBRECIPIENTS

No amounts were provided to subrecipients.

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

NOTE 3 – 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.

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

This District is the recipient of a federal award program that does not result in cash received or disbursed. The District was granted $152,291 of commodities under the National School Lunch Program (CFDA 10.555).

At June 30, 2018, the District had food commodities totaling $16,995 in inventory.

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 Watertown City School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Watertown City School District.
3. No instances of noncompliance material to the financial statements of Watertown City 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 programs of Watertown City School District.
5. The auditor's report on compliance for the major federal award programs for Watertown City School District expresses an unmodified opinion on all major federal programs.
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 Watertown City School District.
7. The Programs tested as major programs include:

U.S. Department of Education:	
Preschool Development Grants	84.419
Title I Grants to Local Educational Agencies	84.010
Impact Aid	84.041

8. The threshold for distinguishing between Types A and B programs was $750,000.
9. Watertown City School District was determined **NOT** to be 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 year audit findings.

NOTE B - FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS

BOWERS & COMPANY
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INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE BOARD OF EDUCATION
WATERTOWN CITY SCHOOL DISTRICT

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Watertown City 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 Watertown City 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 28, 2018

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2018

Account Name	Cash Balance 7/1/2017	Cash Receipts	Cash Disbursement	Cash Balance 6/30/18
CLASS OF:				
2018	$ 8,723	$ 23,663	$ 32,386	$ -
2019	4,001	3,225	2,324	4,902
2020	3,921	990	460	4,451
2021	-	6,300	-	6,300
Art Club	292	682	177	798
Band	5,481	450	3,927	2,004
Book Club	101	-	-	101
Business Club	1,637	200	500	1,337
Chorus	13,535	33,894	46,505	924
Chronicle	516	-	-	516
Diversity Club	2,131	-	727	1,405
Drama	354	467	56	765
Environmental Club	587	1,200	1,433	354
Fashion Club	983	450	247	1,186
Foreign Language Club	18	27,450	26,248	1,220
Gay Straight Alliance	282	15	100	197
Interact Club	241	4,193	3,986	447
National Honor Society	677	1,907	1,177	1,407
Photography Club	213	136	130	218
SADD	2,970	150	482	2,639
Student Council	9,065	3,556	1,872	10,750
Student Council - Special	15,499	23,270	22,475	16,294
Teen Aids Task Force	300	-	-	300
Truth Seekers	80	-	-	80
Video Club	517	667	694	490
Whiz Quiz	140	-	-	140
Yearbook	11,336	18,186	28,539	982
Subtotal This Page	83,598	151,052	174,444	60,206

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED
Year Ended June 30, 2018

Account Name	Cash Balance 7/1/2017	Cash Receipts	Cash Disbursement	Cash Balance 6/30/18
Subtotal Previous Page	83,598	151,052	174,444	60,206
Art Club	-	120	89	31
Wiley Student Council	2,661	4,214	2,464	4,412
7th Grade Constitution	437	907	437	907
8th Grade Constitution	9,799	18,786	20,782	7,804
Case Book Fair	73	-	-	73
Case Fitness and Nutrition	2,086	40	-	2,126
Case International Club	235	14,864	14,926	173
Case Music	19,480	35,238	39,692	15,026
Case National Honor Society	497	425	419	503
Case SADD	5,481	15,333	17,439	3,376
Case Student Council	821	5	-	826
Ted ED	-	96	-	96
Case-Teen Aids Task Force	254	-	-	254
Case Yearbook	3,288	2,868	2,527	3,629
	$ 128,711	$ 243,947	$ 273,218	$ 99,441

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Watertown City 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 Watertown City 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.

BOWERS & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

September 28, 2018

To the Board of Education
Watertown City School District

In planning and performing our audit of the financial statements of Watertown City 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 certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

Condition: Non-Compliance with Real Property Tax Law

The School District did not comply with Section 1318 of the Real Property Tax Law which requires that no more than 4% of the subsequent year's expenditures be retained as unappropriated from the June 30, 2018 balance.

Recommendation

We recommend school officials review fund balance during the budget process to ensure compliance with Real Property Tax Law.

Management's Response

The District's Finance, Audit and Facilities Committee will meet on a monthly basis to review and monitor the fund balance during the year so that appropriate measures can be put in place to comply with Section 1318 of the Real Property Tax Law.

Condition: General Ledger Maintenance

Again, this year, we noted that there are certain balance sheet accounts, including cash, receivables, and payables in various funds which have unreconciled differences. Some of these differences have been carried forward for several years. Also, we noted that the interfund receivable and payables between funds did not reconcile. There was an unreconciled difference of $4,130 that was corrected by adjusting journal entry.

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Recommendation

We recommend that overall maintenance of general ledger accounts be reviewed. All accounts with differences should be reconciled and adjusted to be in balance for the current year and reconciliation procedures should be reviewed with all employees preparing reconciliations. Throughout the year, management should review fund general ledgers for any unreconciled differences or unusual balances as this is a key control in maintaining accurate and meaningful internal financial reports as well as preventing unintentional or intentional misstatements.

Management's Response

Management will review fund general ledgers throughout the year for any unreconciled differences or unusual balances.

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.

Bowers & Company

Watertown, New York
September 28, 2018

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

September 28, 2018

To the President and Members
Of the Board of Education of the
Watertown City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City 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 Watertown City School District are described in Note 1 to the financial statements. Watertown City 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.

Watertown City School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board ("GASB"). As described in Note 3 to the financial statements, Watertown City 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 \$113,438,232 and additional deferred outflows of resources in the amount of \$3,990,766 on the governmental activities Statement of Net Position with a corresponding reduction of \$109,447,466 in net position on the Statement of Activities and Changes in Net Position.

We noted no transactions entered into by Watertown City 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(s) affecting the District's financial statements was:

> Management's estimate of the 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 28, 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 Watertown City 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 Watertown City 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 Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, Schedule of District's Proportionate Share of the Net Pension (Liability) Asset – NYSLRS Pension Plan,* and the *Schedule of Local Government 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 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*, 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 information and use of the Board of Education and management of Watertown City 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

Schedule 1: Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 1			
To Fix Due to And Froms			
A00391	Due From Other Funds	843,518.00	
A00630	Due To Other Funds		843,518.00
Total		**843,518.00**	**843,518.00**

Adjusting Journal Entries JE # 3			
To adjust Reserve balances to actual			
A00815	Reserve for Unemployment	2,577.00	
A00864	Reserve for Tax Certiorari	249,666.00	
A00827	Retirement Contrib. Reserve		1,110.00
A00861	Reserve for Property Loss		50.00
A00862	Reserve for Liability		2,141.00
A00863	Reserve for Insurance		277.00
A00867	Res. Emp. Benefit & Accrd Lb		922.00
A00882	Repair Reserve		36.00
A00909	FUND BALANCE, UNRESERVED		247,707.00
Total		**252,243.00**	**252,243.00**

Adjusting Journal Entries JE # 4			
To correct Taxes receivable and tb balance on tax collections account			
A00260	Taxes Receivable Overdue	107,754.00	
A00202	Cash Tax Collections		51,082.00
A1620.477-000	Electricity		56,672.00
Total		**107,754.00**	**107,754.00**

Adjusting Journal Entries JE # 5			
To record state and Boces receivables to correct accounts			
A00410	Due from State and Federal	939,268.00	
A00440	Due from Other Governments	951,824.00	
A00410	Due from State and Federal		951,824.00
A00440	Due from Other Governments		939,268.00
Total		**1,891,092.00**	**1,891,092.00**

Schedule 1: Material Misstatements Corrected by Management - Continued

General Fund -Continued:

Adjusting Journal Entries JE # 6			
TO ADJUST DUE FROM ACCOUNT AND EXPENSE ACCOUNT TO REFLECT MONEY MOVED TO SCHOOL LUNCH			
A00391	Due From Other Funds	127,808.00	
A9010.901-000	Employees' Retire Sys		101,422.00
A9040.904-000	Workers' Compensation		26,386.00
Total		**127,808.00**	**127,808.00**

Adjusting Journal Entries JE # 7			
to record unapproved smart bond as prepaid expenditure			
A00480	PREPAID EXPENDITURES	233,511.00	
A00391	Due From Other Funds		233,511.00
Total		**233,511.00**	**233,511.00**

Special Aid Fund:

Adjusting Journal Entries JE # 1			
To fix recording of transfer of funds to Special aid			
F00391	Due From Other Funds	800,000.00	
F00630	Due to Other Funds		800,000.00
Total		**800,000.00**	**800,000.00**

Capital Project Fund:

Adjusting Journal Entries JE # 1			
To move expenditures for Smart Bond funding to general fund as SED as not approved project...client will reverse entry in 18/19			
H00630	Due To Other Funds	233,511.00	
H9211.245-0	Architects		233,511.00
Total		**233,511.00**	**233,511.00**

Schedule 1: Material Misstatements Corrected by Management - Continued

Government-Wide

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1			
To adjust for current year additions, deletions, and depreciation			
K00104	Equipment	56,306.00	
K00105	Construction in Progress	6,256,220.00	
K00114	Accumulated Depreciation - Equipment	21,848.00	
K00104	Equipment		21,848.00
K00112	Accumulated Depreciation - Buildings		1,803,472.00
K00114	Accumulated Depreciation - Equipment		299,832.00
K00159	Total Non-Current Governmental Assets		4,209,222.00
Total		**6,334,374.00**	**6,334,374.00**

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 1			
Adjust for bonds payable			
W00628	Bonds Payable	3,185,000.00	
W00129	Total Non-Current Governmental Liabilities		3,185,000.00
Total		**3,185,000.00**	**3,185,000.00**

Adjusting Journal Entries JE # 2			
Adjust compensated absences			
W00129	Total Non-Current Governmental Liabilities	16,245.00	
W00687	Compensated Absences		16,245.00
Total		**16,245.00**	**16,245.00**

Adjusting Journal Entries JE # 3			
To adjust opeb to actual			
W00129	Total Non-Current Governmental Liabilities	101,214,835.00	
W00683	OPEB		101,214,835.00
Total		**101,214,835.00**	**101,214,835.00**