PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE **BOND ANTICIPATION NOTES**

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

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

$2,750,000

GILBERTSVILLE - MOUNT UPTON CENTRAL SCHOOL DISTRICT

OTSEGO AND CHENANGO COUNTIES, NEW YORK

GENERAL OBLIGATIONS

$2,750,000 Bond Anticipation Notes, 2017

(referred to as the "Notes")

Dated: July 12, 2017 **Due: July 12, 2018**

The Notes are general obligations of the Gilbertsville - Mount Upton Central School District, Otsego and Chenango Counties, 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 INFORMATION - Tax Levy Limitation Law" herein. The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser, the Notes will be issued in (i) registered form registered in the name of the successful bidder(s) 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"). The District will act as Paying Agent for the Notes.

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the School District. The Notes will be issued in denominations of $5,000 or multiples thereof. A single note certificate will be issued for Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

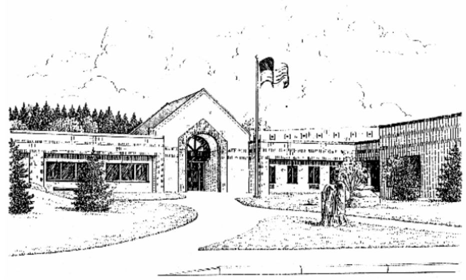
The Notes are offered when, as and if issued and received by the Purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or at such place as may be agreed upon with the Purchaser(s) on or about July 12, 2017.

ELECTRONIC BIDS for the Notes must be submitted on Grant Street Group's MuniAuction website ("MuniAuction") accessible via www.GrantStreet.com, on June 27, 2017 no later than 11:00 A.M. EDT. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. No bid will be received after the time for receiving bids specified above. Once the bids are communicated electronically via MuniAuction or facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

June 16, 2017

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 MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX-C, MATERIAL EVENT NOTICES" HEREIN.

GILBERTSVILLE - MOUNT UPTON CENTRAL SCHOOL DISTRICT
OTSEGO AND CHENANGO COUNTIES, NEW YORK



SCHOOL DISTRICT OFFICIALS

2016-2017 BOARD OF EDUCATION

GERALD THEIS
President

LARRY SMITH
Vice President

ETHAN EBERLY
BARBARA HILL
ZACHARY PROSKINE
CARRIEANN HEATH
JEREMY PAIN

* * * * * * * *

ADMINISTRATION

ANNETTE D. HAMMOND
Superintendent of Schools

DOROTHY IANNELLO
School District Treasurer

AIMEE PIEDMONTE
School District Clerk

D'ARCANGELO & CO., LLP
External Auditor

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisors

ORRICK, HERRINGTON & SUTCLIFFE, LLP
Bond Counsel

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

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PREPARED WITH THE ASSISTANCE OF

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Syracuse, New York 13202
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OFFICIAL STATEMENT

of the

GILBERTSVILLE - MOUNT UPTON CENTRAL SCHOOL DISTRICT

OTSEGO AND CHENANGO COUNTIES, NEW YORK

Relating To

$2,750,000 Bond Anticipation Notes, 2017

This Official Statement, which includes the cover page, has been prepared by the Gilbertsville - Mount Upton Central School District, Otsego and Chenango Counties, New York (the "School District" or "District", "Counties", each a "County", and "State", respectively) in connection with the sale by the School District of $2,750,000 principal amount of Bond Anticipation Notes, 2017 (herein referred to as the "Notes").

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

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the School District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the School 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 of New York (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 "Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated July 12, 2017 and mature, without option of prior redemption, on July 12, 2018. 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.

Purpose of Issue

The Notes are issued pursuant to the Constitution and statutes of the State of New York, including among other things, the Education Law and the Local Finance Law, and bond resolution adopted by the Board of Education on December 15, 2015 authorizing the issuance of $3,525,000 obligations to finance reconstruction of various School District buildings at a maximum estimated cost not to exceed $3,525,000.

The proceeds of the Notes will provide $2,750,000 in new money for the aforementioned 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 INFORMATION - Tax Levy Limitation Law" herein.

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

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 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 of the Notes bearing the same CUSIP, 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 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Bond 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

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 registered in the name of the owner in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company to be named by the District as fiscal agent for the Notes.

THE SCHOOL DISTRICT

General Information

The District is located in the Towns of Butternuts, Morris and Unadilla in Otsego County and the Towns of Guilford and Norwich in Chenango County.

The District is rural in nature, with many residents commuting to large industrial or commercial firms or the regional hospital within the general area.

Source: District officials.

District Population

The 2015 population of the District is estimated to be 2,927. (Source: 2015 U.S. Census Bureau estimates)

Larger Employers

The following are the five larger employers within or in close proximity to the School District.

Name of Employer	Nature of Business	Approximate # Employed
Bassett Healthcare	Hospital	2,808
Agro-Farma	Manufacturer of Chobani Yogurt	1,000
Mead West Vaco	Manufacturer of Calendars	1,000
Amphenol-Aerospace	Manufacturer of Electronic Connectors	1,000
New York Central Mutual	Insurance	1,000

Source: School District officials.

Selected Wealth and Income Indicators

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

	Per Capita Income			Median Family Income		
	2000	2006-2010	2010-2015	2000	2006-2010	2011-2015
Towns of:						
Butternuts	$ 19,223	$ 23,767	$ 25,862	$ 45,368	$ 56,250	$ 62,796
Morris	17,427	22,003	24,149	38,750	51,250	54,130
Unadilla	16,908	21,076	23,199	40,556	61,039	59,615
Guilford	15,536	21,131	28,949	40,801	46,169	60,885
Norwich	18,474	25,237	22,950	42,763	47,028	61,765
Counties of:						
Otsego	16,806	22,902	24,625	41,110	56,797	60,490
Chenango	16,427	22,036	23,036	39,711	52,229	57,090
State of:						
New York	23,389	30,948	33,236	51,691	67,405	71,913

Note: 2012-2016 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 2011-2015 American Community Survey data.

Unemployment Rate Statistics

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

Annual Average

	2010	2011	2012	2013	2014	2015	2016
Otsego County	7.6%	7.7%	7.9%	6.8%	5.7%	5.4%	4.9%
Chenango County	9.2%	8.7%	8.6%	7.3%	6.2%	5.5%	5.0%
New York State	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%

2016-17 Monthly Figures

	2016						**2017**					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Otsego County	4.7%	4.6%	4.6%	4.3%	4.4%	5.0%	6.0%	6.0%	5.1%	4.7%	N/A	N/A
Chenango County	4.7%	4.5%	4.8%	4.7%	4.9%	5.3%	6.2%	6.3%	5.6%	5.0%	N/A	N/A
New York State	5.0%	4.9%	4.9%	4.8%	4.5%	4.5%	4.9%	5.0%	4.4%	4.2%	N/A	N/A

Note: Unemployment rates for May and June of 2016 are unavailable as of the date of this Official Statement.

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

District Organization

The Board of Education, which is the policy making body of the District, consists of seven members with overlapping three-year terms so that as nearly an equal number as possible is elected to the Board each year. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent is the chief executive officer of the District.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the School District Clerk, the School District Attorney and the School District Treasurer.

Financial Organization

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

Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a tentative budget of the School District for the ensuing fiscal year. A public hearing on such budget is held not less than seven 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.

Pursuant to the Tax Levy Limitation Law, 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, then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Levy Limitation Law, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Levy Limitation Law also must receive at least 60% voter approval.

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

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). Clarification may be needed to determine whether a Board of Education must adopt a budget that requires the same tax levy amount as used in the prior fiscal year, or whether changes to the levy are permitted for such purposes as the permitted school district exclusions or the tax base growth factor. For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

Recent Budget Vote Results

The budget for the 2016-17 fiscal year was approved by the qualified voters on May 17, 2016 by a vote of 113 to 28. The budget included a tax levy increase of 0.99% which was below the District's maximum allowable tax levy increase of 1.87% for the 2016-17 fiscal year.

The budget for the 2017-18 fiscal year was adopted by the qualified voters on May 16, 2017 by a vote of 137 to 28. The budget included a tax levy increase of 1.64% which was below the District's maximum allowable tax levy increase of 2.35% for the 2017-18 fiscal year.

Investment Policy

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

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

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2017-18 fiscal year, approximately 72.3% 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").

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 2017-2018 preliminary building aid ratios, the District expects to receive State building aid of approximately 85.6% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history

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

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

The 2012-2013 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. The New York State Education Department approved the District's initial Annual Professional Performance Review Plan (APPR) on August 27, 2012. The most current APPR was approved on August 2, 2016.

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

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

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. The Smart Schools Bond Act authorized the issuance of $2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds thereunder is $548,407.

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

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

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The 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 enacted 2017-18 State budget includes a school aid increase of $961 million over 2016-17, $845 million of which consists of traditional operating aid. In addition to full-funding of expense based aids ($335 million), the budget also includes a $428 million increase in Foundation Aid, and a $50.01 million increase for the Community Schools set-aside. The enacted State budget continues initiatives implemented in previous years including funding for prekindergarten programs and the $2 billion Smart Schools Bond Act. Important initiatives from prior years are also sustained, including $340 million to continue the Statewide Universal Full- day Prekindergarten Program and the $2 billion Smart Schools Bond Act. Further information may be obtained at the official website of the New York State Division of Budget and the New York State Education Department.

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 scheduled to be 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. It is not possible to predict the outcome of this litigation.

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

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years as well as budgeted figures for the 2016-17 and 2017-18 fiscal years comprised of State aid.

Fiscal Year	Total Revenues [(1)]	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2011-2012	$ 7,942,171	$ 5,530,869	69.64%
2012-2013	7,988,751	5,647,093	70.69
2013-2014	8,358,231	5,872,688	70.26
2014-2015	8,591,148	6,101,009	71.01
2015-2016	9,146,647	6,176,952	67.53
2016-2017 (Budgeted)	8,920,500	6,462,885	72.45
2017-2018 (Budgeted)	9,050,500	6,546,385	72.33

[(1)] General fund only, does not include inter-fund transfers or reserve funds.

Source: 2012 through 2016 audited financial statements and 2016-17 and 2017-18 adopted budgets of the District. This table is not audited.

School Facilities

Name	Grades	Year(s) Built	Capacity
Gilbertsville - Mount Upton Elementary	K-6	1994	270
Gilbertsville - Mount Upton Junior Senior High	7-12	1994	330

Source: School District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2012-13	435	2017-18	390
2013-14	402	2018-19	390
2014-15	400	2019-20	390
2015-16	383	2020-21	390
2016-17	387	2021-22	390

Source: School District officials.

Employees

The number of persons employed by the District, the collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are as follows:

Number of Employees	Unit	Contract Expiration Date
45	Gilbertsville - Mount Upton Teachers' Association	June 30, 2018
37	Gilbertsville - Mount Upton Central School District	June 30, 2019
11	Gilbertsville - Mount Upton Administrators Association	N/A

Source: School District officials.

Status and Financing of Employee Pension Benefits

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

On December 12, 2009, a new Tier V was signed into law. The law became effective for new ERS and TRS hires on January 1, 2010. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

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

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

The District's payments to ERS and TRS since the 2011-12 fiscal year and the budgeted payments for the 2016-17 and 2017-18 fiscal years are as follows:

Fiscal Year	TRS	ERS
2011-2012	$ 263,313	$ 152,764
2012-2013	333,622	179,540
2013-2014	389,891	177,627
2014-2015	444,927	183,543
2015-2016	363,923	129,489
2016-2017 (Budgeted)	363,449	174,183

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually.

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 School District does not currently have any early retirement incentive programs.

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

A chart of average ERS and TRS rates as a percent of payroll (2010 to 2018) is shown below:

Fiscal Year	ERS	TRS
2009-10	7.4%	6.19%
2010-11	11.9	8.62
2011-12	16.3	11.11
2012-13	18.9	11.84
2013-14	20.9	16.25
2014-15	20.1	17.53
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80*

* Estimated. The final TRS rate for 2017-18 fiscal year is expected to be adopted by the TRS Retirement Board in July 2017.

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 authorized local governments, 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 Rate Pension Contribution Option"). For 2016-17 the stable contribution option rate is 15.1% for ERS and 14.13% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

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

The 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 will require governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

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

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

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

The District contracted with an actuarial firm to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation dated July 1, 2015 and financial data as of June 30, 2016, 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, 2015 and 2016:

Annual OPEB Cost and Net OPEB Obligation:	**2015**	**2016**
Annual required contribution (ARC)	$ 609,407	$ 621,458
Interest on net OPEB obligation	134,594	150,457
Adjustment to ARC	(187,105)	(209,201)
Annual OPEB cost (expense)	556,896	562,714
Contributions made	(160,310)	(155,644)
Increase in net OPEB obligation	396,586	407,070
Net OPEB obligation - beginning of year	3,364,851	3,761,437
Net OPEB obligation - end of year	$ 3,761,437	$ 4,168,507
Percentage of annual OPEB cost contributed	28.79%	27.66%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 5,432,487	$ 5,432,487
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 5,432,487	$ 5,432,487
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 155,644	27.66%	$ 4,168,507
2015	160,310	28.79	3,761,437
2014	134,939	22.76	3,364,851
2013	144,177	24.59	2,906,800

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

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

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.

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

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

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

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 notices with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

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

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

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

Financial Statements

The School District retains independent certified public accountants. The last audit report covers the period ending June 30, 2016 and may be found attached hereto as "APPENDIX-E" to this Official Statement. Certain summary financial information of the School District can also be found attached as Appendices to this Official Statement.

The School 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).

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

State Comptroller Reports of Examination

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

The most recent State Comptroller audit report of the District dated March 4, 2016 was to determine if the District's cafeteria operations were managed properly for the period July 1, 2014 through September 29, 2015.

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

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

Fiscal Year Ending In	Stress Designation	Fiscal Score
2016	No Designation	10.0%
2015	No Designation	13.3%
2014	No Designation	20.0%

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

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017
Towns of:					
Butternuts	$ 126,942,789	$ 126,939,563	$ 127,050,129	$ 126,859,960	$ 125,915,417
Morris	3,022,437	3,022,437	3,022,876	3,053,499	3,174,196
Unadilla	7,845,709	8,065,755	8,122,018	8,148,747	8,015,798
Guilford	50,529,392	51,030,939	51,354,129	51,784,896	51,476,872
Norwich	14,000	14,000	14,000	14,000	14,000
Total Assessed Values	$ 188,354,327	$ 189,072,694	$ 189,563,152	$ 189,861,102	$ 188,596,283
State Equalization Rates					
Towns of:					
Butternuts	110.81%	110.08%	118.53%	114.50%	108.42%
Morris	53.00%	58.00%	61.18%	58.00%	58.00%
Unadilla	60.00%	64.70%	64.70%	65.00%	65.00%
Guilford	100.00%	100.00%	100.00%	100.00%	100.00%
Norwich	52.75%	52.95%	53.00%	51.50%	51.50%
Total Taxable Full Valuation	$ 183,893,790	$ 184,050,605	$ 176,063,012	$ 180,407,993	$ 185,445,511

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017
Towns of:					
Butternuts	$ 11.04	$ 11.33	$ 11.11	$ 11.22	$ 11.64
Morris	23.09	21.51	21.53	22.16	21.77
Unadilla	20.40	19.28	20.35	19.77	19.43
Guilford	12.24	12.47	13.17	12.85	12.63
Norwich	23.20	23.56	24.85	24.96	24.52

Tax Collection Procedure

District taxes are due September 1. Taxes will be collected during the first thirty days with no penalty, during the second thirty days with a two percent penalty and for at least none days in November with a three percent penalty as approved by the Board so that uncollected taxes can be returned to the County Treasurers on November 13.

The District is reimbursed by the Counties for all unpaid taxes so that it is assured of 100% collection of its tax levy each year.

Tax Levy and Collection Record

Fiscal Year Ending June 30:	2013	2014	2015	2016	2017
Total Tax Levy	$ 2,251,215	$ 2,296,015	$ 2,318,615	$ 2,318,615	$ 2,341,615
Amount Uncollected (1)	315,183	324,245	305,515	353,508	332,948
% Uncollected	14.00%	14.12%	13.18%	15.25%	14.22%

(1) Prior to return to Counties. The District is reimbursed by the County for all unpaid taxes. See “Tax Collection Procedure” herein.

Ten Largest Taxpayers – 2016 for 2016-17 Tax Roll

Name	Type	Taxable Full Valuation
NYSEG	Utility	$ 4,362,059
Otsego Electric Coop, Inc.	Utility	1,443,194
Albert Geldmacher	Residence/Agriculture	1,319,400
TEPPCO	Substation – Corporation	1,247,810
Allen Skolnick	Residence	965,000
Citizens Telecom	Utility	815,318
Keene Revocable Trust	Residence/Agriculture	741,000
Simon Manning	Residence	717,100
Zaczek, Joseph	Residency/Agriculture	705,300
Frontier Communications	Utility	508,869
	Total	$ 12,825,050

The largest taxpayers listed above have an estimated total assessed valuation of $12,825,050 which represents approximately 11.6% of the tax base of the School District.

As of the date of this Official Statement, the District currently does not have any pending or outstanding tax certioraris that, if decided adversely to the District, would have a material impact on the District. A tax certiorari reserve is in place to cover any tax repayments that may be required.

Source: School District Tax Rolls.

Real Property Taxes

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years as well as budgeted figures for the 2016-17 and 2017-18 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 Taxes
2011-2012	$ 7,942,171	$ 2,219,342	27.94%
2012-2013	7,988,751	2,263,073	28.33
2013-2014	8,358,231	2,327,185	27.84
2014-2015	8,592,148	2,330,744	27.13
2015-2016	9,146,647	2,330,802	25.48
2016-2017 (Budgeted)	8,920,500	2,341,615	26.25
2017-2018 (Budgeted)	9,050,500	2,380,115	26.30

(1) General fund only, does not include inter-fund transfers or reserve funds.

Source: 2012 through 2016 audited financial statements and 2016-17 and 2017-18 adopted budgets of the District. This table is not audited.

STAR – School Tax Exemption

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

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

The below table lists the basic and enhanced exemption amounts for the municipalities applicable to the District 2016-17 tax roll:

Towns of:	Enhanced Exemption	Basic Exemption	Date Certified
Butternuts	$ 71,020	$ 32,530	4/7/2017
Morris	37,990	17,400	4/7/2017
Unadilla	42,580	19,500	4/7/2017
Guilford	65,500	30,000	4/7/2017
Norwich	33,730	15,450	4/7/2017

$405,616 of the District's $2,341,615 school tax levy for 2016-17 was exempted by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2017.

Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Residential - 87%; Commercial - 3%; Industrial (which includes public utilities) - 4 % and Agricultural - 6%.

The estimated total annual property tax bill of a $100,000 market value residential property located in the District is approximately $2,200 including County, 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 expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

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

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

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

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

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

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

Statutory Procedure

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

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

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2012	2013	2014	2015	2016
Bonds	$ 7,767,000	$ 7,239,000	$ 6,737,000	$ 6,215,000	$ 5,710,000
Bond Anticipation Notes	0	0	0	0	0
Revenue Anticipation Notes	0	0	0	0	0
Total Debt Outstanding	$ 7,767,000	$ 7,239,000	$ 6,737,000	$ 6,215,000	$ 5,710,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the School District evidenced by bonds and notes as June 16, 2017:

	Maturity		Amount Outstanding
Bonds	2018-2025		$ 5,180,000
Bond Anticipation Notes	---		0
		Total Indebtedness	$ 5,180,000

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 16, 2017:

Full Valuation of Taxable Real Property			$ 185,445,511
Debt Limit 10% thereof			18,544,551
Inclusions:			
Bonds	$ 5,180,000		
Bond Anticipation Notes	0		
Principal of the Notes	2,750,000		
Total Inclusions		$ 7,930,000	
Exclusions:			
State Building Aid [(1)]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 7,930,000
Net Debt-Contracting Margin			$ 10,614,551
The percent of debt contracting power exhausted is			42.76%

(1) Based on preliminary 2017-2018 building aid estimates, the District anticipates State Building aid of 85.6% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

A schedule of Bonded Debt Service may be found in "APPENDIX – B" to this Official Statement.

Cash Flow Borrowings

The School District historically does not issue revenue or tax anticipating notes, and does not have any plans to issue any for the foreseeable future.

Capital Project Plans and Financing

On December 1, 2015, the qualified voters of the District approved a $3,525,000 capital project for the construction and reconstruction of safety, security, energy and long-term maintenance of District facilities. The District plans to utilize a combination of $275,000 monies from the Smart School Bonds Act, $500,000 capital reserve, $46,239 excel aid and state building aid to cover certain costs of the capital project. The current issuance of the Notes represents the first phase in borrowing for the project.

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:						
Otsego	6/30/2016 [3]	$ 14,070,000	$ 1,170,000	$ 12,900,000	3.01%	$ 388,290
Chenango	12/31/2016 [3]	-	-	-	2.13%	-
Town of:						
Butternuts	12/31/2015 [4]	35,000	-	35,000	90.57%	31,700
Guilford	12/31/2015 [4]	1,266,380	-	1,266,380	32.54%	412,080
Morris	12/31/2015 [4]	-	-	-	4.93%	-
Norwich	12/31/2015 [4]	297,100	-	297,100	0.01%	30
Unadilla	12/31/2015 [4]	250,113	-	250,113	6.04%	15,107
Village of:						
Gilbertsville	5/31/2016 [4]	-	-	-	100.00%	-
					Total:	$ 847,206

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.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 16, 2017:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 7,930,000	$ 2,709.26	4.28%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	8,777,206	2,998.70	4.73%

[a] The District's 2015 estimated population is 2,927. (See "THE SCHOOL DISTRICT - District Population" herein.)

[b] The District's full valuation of taxable real estate for 2016-17 is $185,445,511. (See "TAX INFORMATION - Taxable Assessed Valuations" herein.)

[c] See "Debt Statement Summary" herein.

[d] The District's estimated applicable share of net underlying indebtedness is $847,206. (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.

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

CONTINUING DISCLOSURE COMPLIANCE

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

The District has in the previous five years complied, in all material respects, with any previous undertakings pursuant to the Rule.

TAX MATTERS

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

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. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly 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 exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the 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, 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. In recent years, legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 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, 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 opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as "APPENDIX – D".

LITIGATION

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

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

RATINGS

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

The District does not have any general obligation debt outstanding that is directly rated by Standard & Poor's or Moody's Investors Service at this time. S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their issuer credit rating (ICR) of "A+" with a stable outlook to the District. This rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

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 municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. 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.

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

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

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

The School 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.

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.

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

The Gilbertsville - Mount Upton Central School District contact information is as follows: Ms. Dorothy Iannello, District Treasurer, Gilbertsville – Mount Upton Central School District, 693 State Highway 51, Gilbertsville, NY 13776, Phone: (607) 783-2207, Telefax: (607) 783-2254, Email: diannello@gmucsd.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

GILBERTSVILLE - MOUNT UPTON CENTRAL SCHOOL DISTRICT

Dated: June 16, 2017

GERALD THEIS
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2012	2013	2014	2015	2016
ASSETS					
Cash & Cash Equivalents	$ 1,114,522	$ 1,015,242	$ 733,920	$ 798,074	$ 750,426
Restricted Cash and Cash Equivalents	2,450,307	2,052,338	2,235,336	2,334,112	2,466,543
Due from Other Funds	88,353	70,060	-	-	90,633
Receivables	-	-	-	-	-
Due from Other Governments	299,962	322,417	355,353	342,132	371,182
Other Receivables	250	12,055	74,675	44,344	305
TOTAL ASSETS	$ 3,953,394	$ 3,472,112	$ 3,399,284	$ 3,518,662	$ 3,679,089
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 28,482	$ 7,405	$ 13,493	$ 16,674	$ 58,699
Accrued Liabilities	941	2,125	1,717	-	-
Due to Other Governments	-	-	-	-	-
Due to Other Funds	-	119	523	-	40,000
Due to Teachers' Retirement System	333,075	350,419	429,938	453,987	379,520
Due to Employees' Retirement System	35,963	48,554	62,395	57,639	34,440
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	$ 398,461	$ 408,622	$ 508,066	$ 528,300	$ 512,659
FUND EQUITY					
Reserved	$ 2,450,307	$ 2,052,338	$ 2,235,336	$ 2,334,112	$ 2,466,543
Unreserved:					
Appropriated	769,422	710,657	324,568	313,613	331,855
Unappropriated	335,204	300,495	331,314	342,637	368,032
TOTAL FUND EQUITY	3,554,933	3,063,490	2,891,218	2,990,362	3,166,430
TOTAL LIABILITIES and FUND EQUITY	$ 3,953,394	$ 3,472,112	$ 3,399,284	$ 3,518,662	$ 3,679,089

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:	2012	2013	2014	2015	2016
REVENUES					
Real Property Taxes	$ 1,817,009	$ 1,852,323	$ 1,886,296	$ 1,918,179	$ 1,908,508
Real Property Tax Items	402,333	410,750	440,889	412,565	422,294
Charges for Services	18,467	17,898	3,846	250	-
Use of Money & Property	51,708	15,157	15,160	13,920	13,372
Sale of Property and Compensation for Loss	26,550	12,660	15,358	13,050	32,601
Miscellaneous	90,456	27,710	100,007	124,110	558,835
Revenues from State Sources	5,530,869	5,647,093	5,872,688	6,101,009	6,176,952
Revenues from Federal Sources	4,779	5,160	23,987	9,065	34,085
Total Revenues	$ 7,942,171	$ 7,988,751	$ 8,358,231	$ 8,592,148	$ 9,146,647
Other Sources:					
Operating Transfers In	-	-	-	-	35,710
Total Revenues and Other Sources	$ 7,942,171	$ 7,988,751	$ 8,358,231	$ 8,592,148	$ 9,182,357
EXPENDITURES					
General Support	$ 1,285,778	$ 1,229,063	$ 1,276,238	$ 1,207,591	$ 1,197,245
Instruction	3,331,054	3,669,820	3,583,396	3,754,652	3,819,315
Pupil Transportation	494,378	531,692	504,150	533,473	508,709
Community Services	500	1,000	1,000	1,500	1,000
Employee Benefits	1,898,955	1,916,514	2,047,231	1,874,106	1,845,575
Debt Service	911,047	880,531	838,488	838,701	801,113
Total Expenditures	$ 7,921,712	$ 8,228,620	$ 8,250,503	$ 8,210,023	$ 8,172,957
Other Uses:					
Operating Transfers Out	219,910	251,574	280,000	282,981	833,332
Total Other Uses	$ 219,910	$ 251,574	$ 280,000	$ 282,981	$ 833,332
Total Expenditures and Other Uses	$ 8,141,622	$ 8,480,194	$ 8,530,503	$ 8,493,004	$ 9,006,289
Excess (Deficit) Revenues Over Expenditures	(199,451)	(491,443)	(172,272)	99,144	176,068
FUND BALANCE					
Fund Balance - Beginning of Year	3,754,384	3,554,933	3,063,490	2,891,218	2,990,362
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 3,554,933	$ 3,063,490	$ 2,891,218	$ 2,990,362	$ 3,166,430

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:	2016 Adopted Budget	2016 Modified Budget	2016 Actual	2017 Adopted Budget	2018 Adopted Budget
REVENUES					
Real Property Taxes	$ 1,918,465	$ 1,918,465	$ 1,908,508	$ 1,922,942	$ 1,961,442
Real Property Tax Items	412,650	412,650	422,294	418,673	418,673
Charges for Services	1,000	1,000	-	12,500	14,500
Use of Money & Property	14,000	14,000	13,372	14,000	12,000
Sale of Property and Compensation for Loss	9,500	9,500	32,601	9,500	12,500
Miscellaneous	65,000	65,000	558,835	65,000	70,000
Revenues from State Sources	6,268,186	6,268,186	6,176,952	6,462,885	6,546,385
Revenues from Federal Sources	11,809	11,809	34,085	15,000	15,000
Total Revenues	$ 8,700,610	$ 8,700,610	$ 9,146,647	$ 8,920,500	$ 9,050,500
Other Sources:					
Operating Transfers In	-	-	35,710	-	-
Total Revenues and Other Sources	$ 8,700,610	$ 8,700,610	$ 9,182,357	$ 8,920,500	$ 9,050,500
EXPENDITURES					
General Support	$ 1,334,580	$ 1,392,539	$ 1,197,245	$ 1,335,552	$ 1,366,423
Instruction	4,044,274	4,029,546	3,819,315	4,168,535	4,103,896
Pupil Transportation	625,543	678,249	508,709	608,036	608,139
Community Services	1,000	1,000	1,000	1,000	1,500
Employee Benefits	2,054,214	1,958,277	1,845,575	2,163,014	2,278,679
Debt Service	804,612	804,612	801,113	804,363	806,863
Total Expenditures	$ 8,864,223	$ 8,864,223	$ 8,172,957	$ 9,080,500	$ 9,165,500
Other Uses:					
Operating Transfers Out	883,332	883,332	833,332	125,000	140,000
Total Other Uses	$ 883,332	$ 883,332	$ 833,332	$ 125,000	$ 140,000
Total Expenditures and Other Uses	$ 9,747,555	$ 9,747,555	$ 9,006,289	$ 9,205,500	$ 9,305,500
Excess (Deficit) Revenues Over Expenditures	(1,046,945)	(1,046,945)	176,068	(285,000)	(255,000)
FUND BALANCE					
Fund Balance - Beginning of Year	1,046,945	1,046,945	2,990,362	285,000	255,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 3,166,430	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	2011 Series Bonds (Issued through DASNY) Principal	Interest	Total
2017	$ 530,000	$ 270,863	$ 800,863
2018	555,000	244,363	799,363
2019	580,000	222,163	802,163
2020	600,000	203,313	803,313
2021	620,000	179,313	799,313
2022	655,000	148,313	803,313
2023	685,000	113,925	798,925
2024	725,000	77,963	802,963
2025	760,000	39,900	799,900
TOTALS	$ 5,710,000	$ 1,500,113	$ 7,210,113

APPENDIX – C

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

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

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

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

(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 Notes

(k) rating changes

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

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

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

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 Note.

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

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

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

The School District has agreed to provide, or course to be provided, during the period in which the Notes are outstanding in a timely manner, to EMMA or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of its failure to provide the aforedescribed material event notices, if any, on or before the date specified.

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

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

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

APPENDIX – D

FORM OF BOND COUNSEL'S OPINION

July 12, 2017

Gilbertsville - Mount Upton Central School District,
Counties of Otsego and Chenango,
State of New York

Re: Gilbertsville - Mount Upton Central School District, Otsego and Chenango Counties, New York
$2,750,000 Bond Anticipation Notes, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of $2,750,000 Bond Anticipation Notes, 2017 (the "Obligation"), of the Gilbertsville - Mount Upton Central School District, Otsego and Chenango Counties, New York (the "Obligor"), dated July 12, 2017, numbered 1, of the denomination of $2,750,000, bearing interest at the rate of ___% per annum, payable at maturity, and maturing July 12, 2018.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

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

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

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

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

GILBERTSVILLE - MOUNT UPTON CENTRAL SCHOOL DISTRICT
OTSEGO AND CHENANGO COUNTIES, NEW YORK

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2016

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.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

Board of Education
Gilbertsville - Mount Upton Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilbertsville - Mount Upton Central School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

New Accounting Standard

As discussed in Note 1 to the financial statements, the School District changed accounting policies related to the financial statement presentation of investments by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application.* The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain investments and disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

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 Gilbertsville - Mount Upton Central School District, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, and other Required Supplementary Information as listed in the Table of Contents and shown on pages 45 through 48 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 Gilbertsville - Mount Upton Central School District's basic financial statements. The other supplementary information on pages 49 through 51 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2016, on our consideration of the Gilbertsville - Mount Upton Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gilbertsville - Mount Upton Central School District's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

August 16, 2016

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

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*

Board of Education
Gilbertsville-Mount Upton Central 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 Gilbertsville - Mount Upton Central School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Gilbertsville - Mount Upton Central School District's basic financial statements, and have issued our report thereon dated August 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

D'Arcangelo + Co., LLP

August 16, 2016

Rome, New York

The Gilbertsville - Mount Upton Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2016 and 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

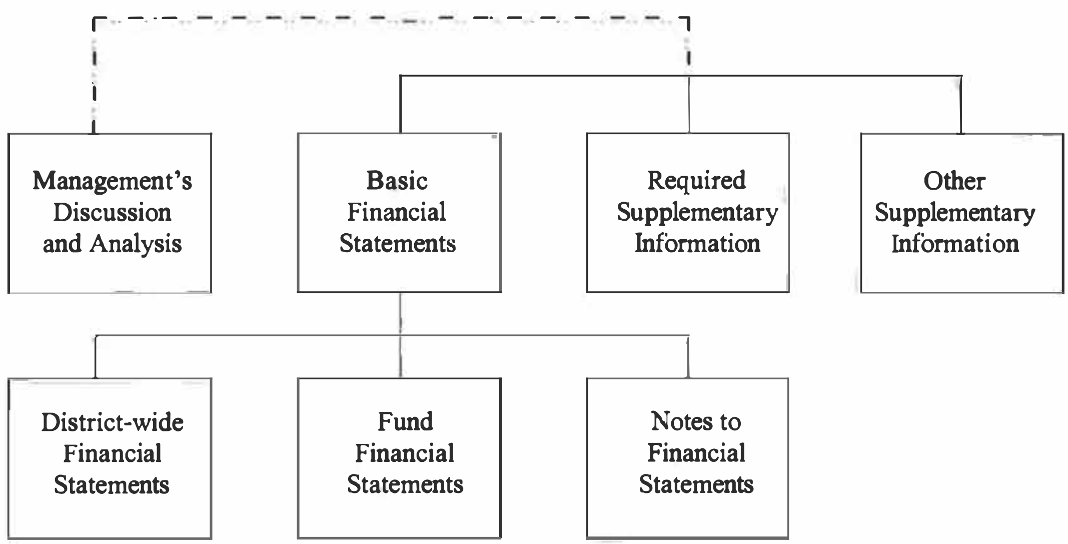
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the District-wide financial statements, increased by $936,690.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled $8,748,282. Of this amount, $512,834 was offset by program revenues. The District received $460,424 in operating grants to support instructional and food service programs. General revenues of $9,172,138 amount to 94.7% of total revenues.
- The General Fund's total fund balance, as reflected in the fund financial statements on Pages 15 and 17, increased by $176,068 to $3,166,430. This was due to an excess of revenues and transfers over expenditures based on the modified accrual basis of accounting.
- District-wide state and federal revenue increased by $100,963 to $6,211,037 in 2016 from $6,110,074 in 2015. This is primarily due to an increase in State Aid due to a decrease in the New York State gap elimination adjustment.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service Fund, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The Districts total net position increased by $936,690 between fiscal year 2016 and 2015. A summary of the District's Statement of Net Position for June 30, 2016 and 2015 is as follows:

	2016	2015	Increase/ (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 5,937,283	$ 5,597,740	$ 339,543	6.1%
Capital Assets, (Net of Accumulated Depreciation)	13,450,490	13,685,503	(235,013)	(1.7%)
Total Assets	19,387,773	19,283,243	104,530	0.5%
Deferred Outflows of Resources	861,676	556,301	305,375	54.9%
Liabilities				
Current and Other Liabilities	963,013	640,611	322,402	50.3%
Non-Current Liabilities	10,616,203	10,866,072	(249,869)	(2.3%)
Total Liabilities	11,579,216	11,506,683	72,533	0.6%
Deferred Inflows of Resources	642,322	1,241,640	(599,318)	(48.3%)
Net Position				
Net Investment in Capital Assets	$ 7,890,469	$ 7,252,642	$ 637,827	8.8%
Restricted	3,056,997	2,581,856	475,141	18.4%
Unrestricted (Deficit)	(2,919,555)	(2,743,277)	(176,278)	(6.4%)
Total Net Position	$ 8,027,911	$ 7,091,221	$ 936,690	13.2%

Current and other assets increased by $339,543 as compared to the prior year. The increase is primarily due to an increase in cash and cash equivalents.

Capital assets decreased by $235,013, as compared to the prior year. This decrease is due to depreciation exceeding capital outlays in the current year. Note 6 to the Financial Statements provides additional information.

Deferred outflows of resources provided by the retirement systems increased by $305,375, as compared to the prior year.

Current and other liabilities increased by $322,402 due to the increase in the ERS Net Pension Liability (proportionate share).

Non-current liabilities decreased by $249,869, as compared to the prior year. This decrease is primarily the result of the payments of bond principal and a decrease in compensated absences. This decrease was offset by the annual accrual for the GASB 45 liability for Other Postemployment benefits in the amount of $407,070.

Deferred inflows of resources decreased by $599,318 due to amounts provided by the Retirement Systems.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The unrestricted net position at June 30, 2016, is a deficit of $2,919,555, which represents the amount by which the District's liabilities exceeded the District's assets, other than capital assets, excluding debt related to capital construction. These liabilities include the District's accrual of $4,168,507 in other post-employment benefits.

The restricted portion of the net position increased during the year by $475,141, primarily due to an increase in the capital fund restricted fund balance of $342,483.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

Revenues	2016	2015	Increase/ (Decrease)	Percentage Change
Program Revenues				
Charges for Services	$ 52,410	$ 49,754	$ 2,656	5.3%
Operating Grants	460,424	383,977	76,447	19.9%
General Revenues				
Property Taxes and STAR	2,330,802	2,330,744	58	0.0%
State and Federal Sources	6,211,037	6,110,074	100,963	1.7%
Other	630,299	178,118	452,181	253.9%
Total Revenues	9,684,972	9,052,667	632,305	7.0%
Expenses				
General Support	1,578,350	1,576,172	2,178	0.1%
Instruction	5,870,934	5,746,819	124,115	2.2%
Pupil Transportation	756,389	785,618	(29,229)	(3.7%)
Community Service	1,000	1,500	(500)	(33.3%)
Debt Service-Unallocated Interest	295,075	315,686	(20,611)	(6.5%)
Food Service Program	246,534	219,811	26,723	12.2%
Total Expenses	8,748,282	8,645,606	102,676	1.2%
Total Change in Net Position	$ 936,690	$ 407,061	$ 529,629	130.1%

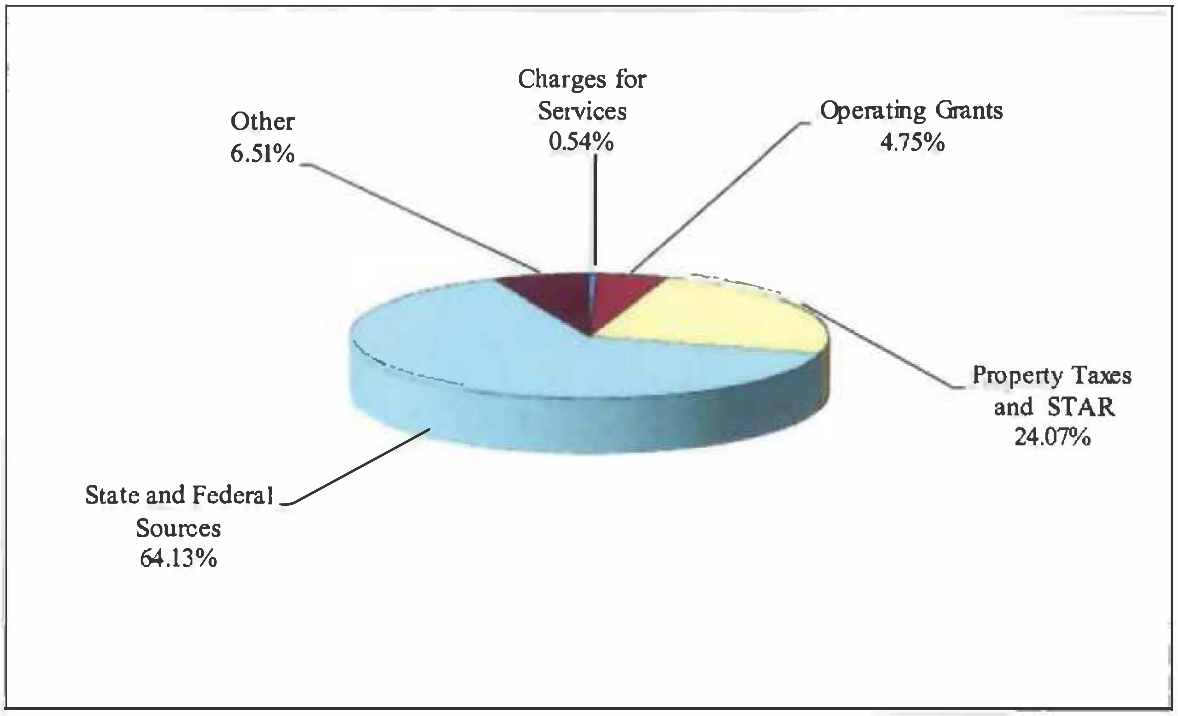
The District's revenues increased by $632,305 in 2016 or approximately 7.0%. The major factors that contributed to the increase were:

- State Aid and Federal Sources increased by $100,963 due to a decrease in the New York State gap elimination adjustment.
- Other revenues increased by $452,181 due to a $440,000 refund received from the health consortium with which the district previously participated.

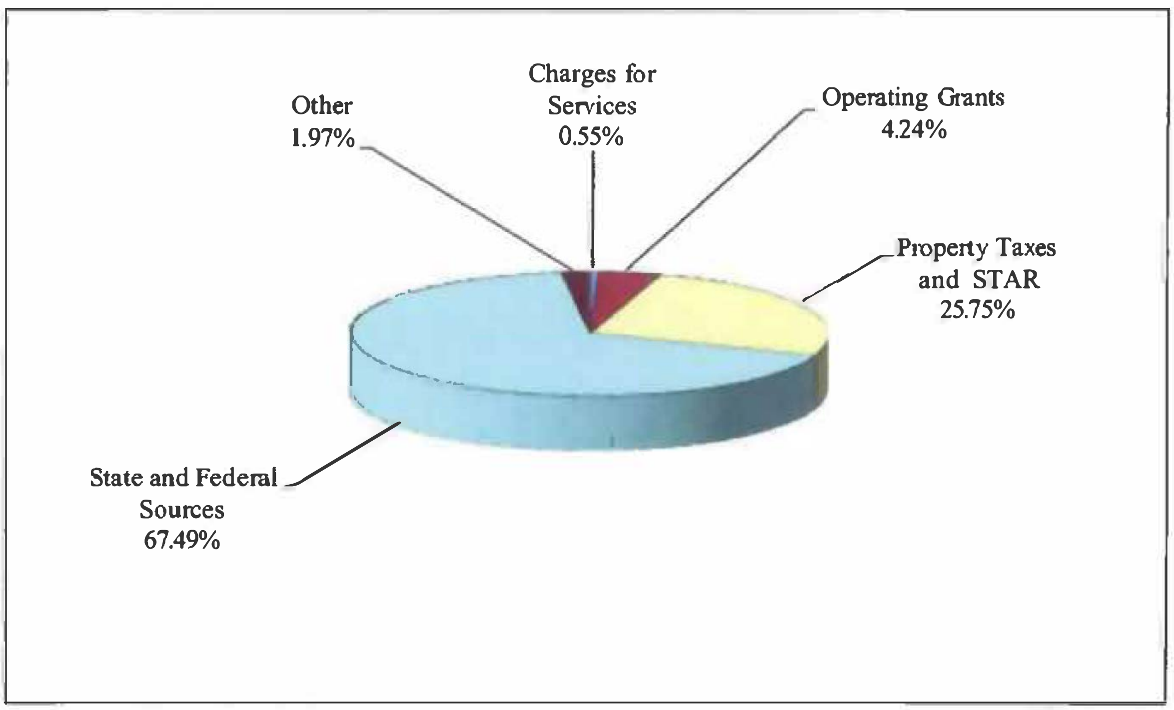
The District's expenses for the year increased by $102,676 or 1.2% mainly due to an increase in instruction expense. Instruction expense increased by $124,115 because of increases to salaries and allocations of employee benefit costs.

A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2016

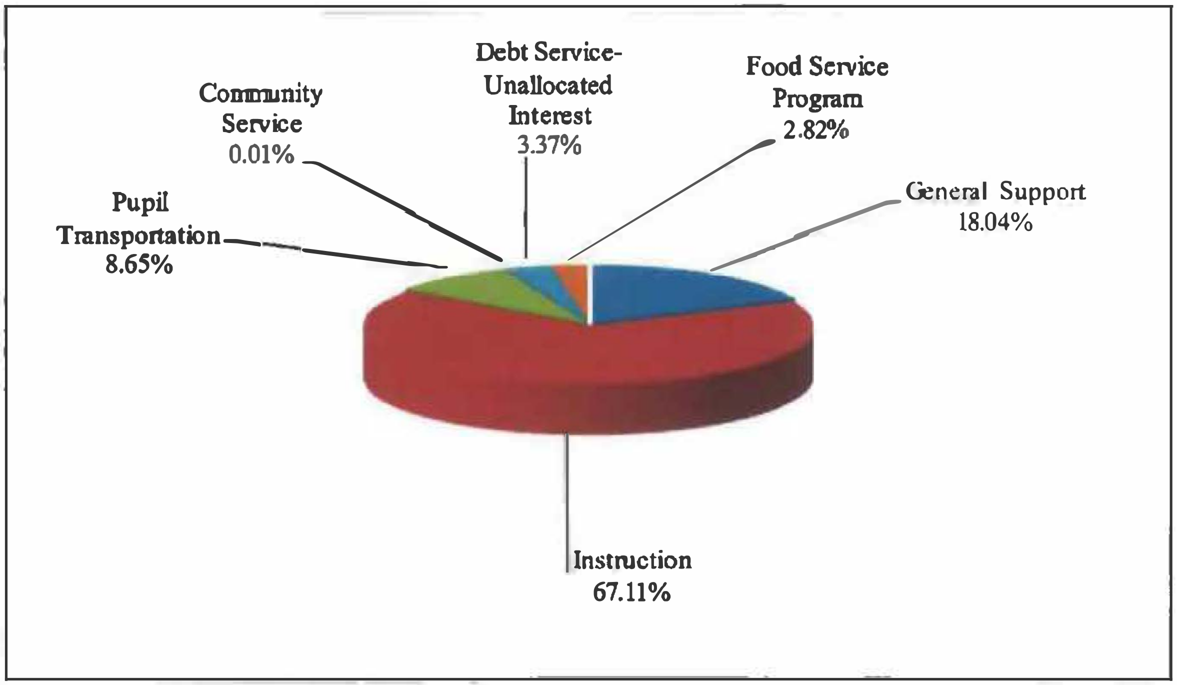


For the Year Ended June 30, 2015

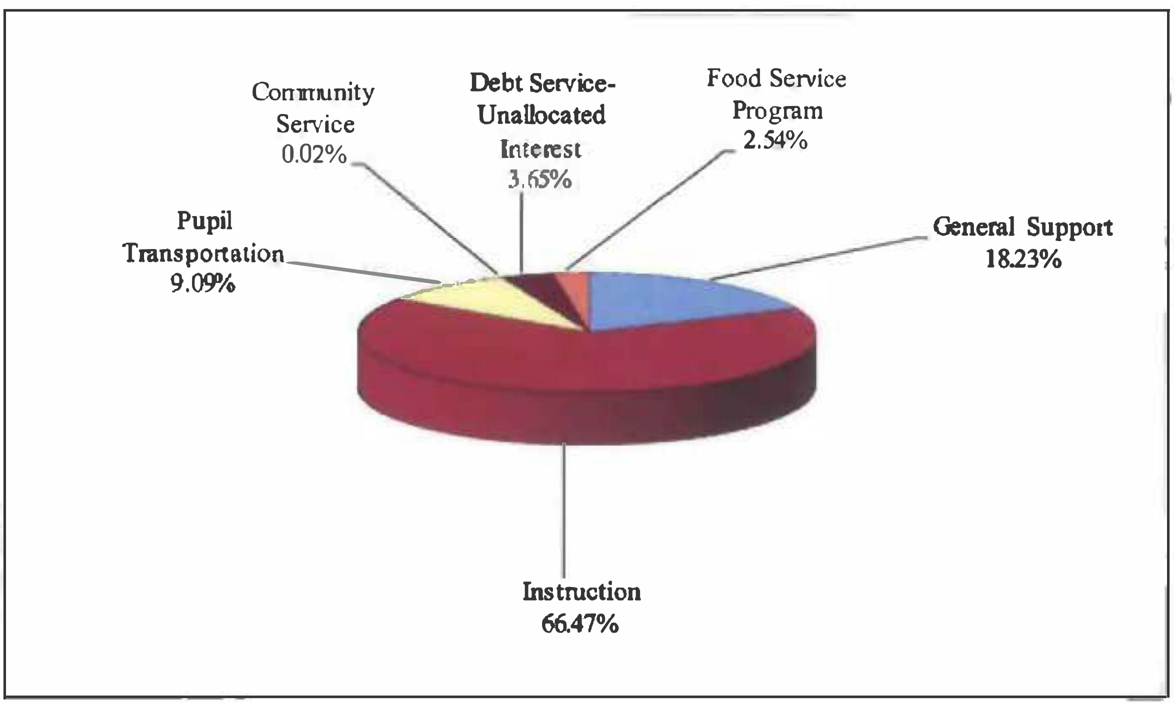


A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2016



For the Year Ended June 30, 2015



4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2016, the District's governmental funds reported a combined fund balance of $3,768,487 which is an increase of $508,816 over the prior year. This increase is due to an excess of revenues over expenditures for the year, primarily in the General Fund and Capital Fund. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase/ (Decrease)
General Fund			
Restricted for:			
Capital	$ 951,650	$ 1,044,740	$ (93,090)
Liability	220,428	140,372	80,056
Unemployment Insurance	140,256	140,199	57
Retirement Contribution	305,492	160,427	145,065
Employee Benefit Accrued Liability	848,717	848,374	343
Assigned	331,855	313,613	18,242
Unassigned	368,032	342,637	25,395
	3,166,430	2,990,362	176,068
School Lunch Fund			
Nonspendable	9,835	9,318	517
Assigned	1,768	12,248	(10,480)
	11,603	21,566	(9,963)
Debt Service Fund			
Restricted	212,260	212,033	227
	212,260	212,033	227
Capital Projects Fund			
Restricted	378,194	35,710	342,484
	378,194	35,710	342,484
Total Fund Balance	$ 3,768,487	$ 3,259,671	$ 508,816

Note 11 to the Financial Statements provides additional information on the Reserves.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2015-2016 Budget

The District's general fund adopted budget for the year ended June 30, 2016, was $8,995,610. This is an increase of $136,880 from prior years adopted budget, primarily due to an increase in employee benefit expense.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was $2,331,115 in estimated real property taxes and STAR, and State Aid in the amount of $6,268,186.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The General Fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 342,637
Revenues over Budget	446,037
Transfers over Budget	35,710
Expenditures and Encumbrances under Budget	694,411
Appropriated Reserves for June 30, 2016 Budget	(733,332)
Appropriated Fund Balance for June 30, 2017 Budget	(285,000)
Net (increases) to Restricted Funds	(132,431)
Closing, Unassigned Fund Balance	$ 368,032

Opening, Unassigned Fund Balance

The $342,637 shown in the table is the portion of the District's June 30, 2015, fund balance that was retained as unassigned. This was 3.81% of the District's 2015-2016 approved operating budget.

Revenues Over Budget

The 2015-2016 budget for revenues was $8,700,610. The actual revenues received for the year were $9,146,647. The actual revenue was over the estimated or budgeted revenue by $446,037.

Expenditures and Encumbrances Under Budget

The 2015-2016 final budget for expenditures and other uses was $9,747,555. The actual expenditures, other uses, and encumbrances were $9,053,144. The final budget was under expended by $694,411. This under expenditure contributes to the change to the unassigned portion of the general fund balance from June 30, 2015 to June 30, 2016.

Appropriated Fund Balance and Reserves

The District chose to use $285,000 of its available June 30, 2016 fund balance and reserves to partially fund its 2016-2017 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2016-2017 fiscal year with an unassigned fund balance of $368,032. This is an increase of $25,395 over the unassigned balance from the prior year and is 4.00% of the subsequent year's budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2016, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net decrease in capital assets is due to current year depreciation recorded being more than capital additions for the year ended June 30, 2016. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2016 and 2015, is as follows:

	2016	2015	Increase/ (Decrease)
Land	$ 80,000	$ 80,000	$
Construction in Progress	236,615	14,809	221,806
Buildings and Improvements	12,230,875	12,769,858	(538,983)
Vehicles, Furniture, and Equipment	903,000	820,836	82,164
Capital Assets, Net	$ 13,450,490	$ 13,685,503	$ (235,013)

B. Debt Administration

At June 30, 2016, the District had total bonds payable of $5,710,000. A summary of the outstanding debt at June 30, 2016 and 2015, is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
6/8/2011	2.00-5.25%	$ 5,710,000	$ 6,215,000	$ (505,000)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The voters of the School District approved a budget of $9,205,500 for the 2016-2017 school year.

The Board of Education and the Administration have strived to be fiscally responsible to the community while continuing to provide a quality education for students. In developing the 2016-2017 school budget, the preservation of educational programs for children remained a high priority. The School District will continue to make adjustments in spending to reflect reduced enrollment, increase in retirement costs, small projected increases in state aid revenues, the real property tax cap legislation, and on-going unknowns in the tax base as unfavorable economic conditions continue to plague New York State. This, coupled with continued conservative fiscal management should result in future tax levies that stay within the New York State tax cap legislative mandate.

Overall, the district remains in a sound financial position, and will continue to be conservative in delivering educational programs at rates reasonable expected of a public school district.

Reserves have been established which will help in the near term to mitigate unexpected decreases in revenue or unanticipated expenditures. The Board and the Administration continue to reduce the use of reserves in the 2016-2017 school year and are working on long-term solutions to reduce the continued reliance on these reserves.

During the 2015-2016 school year the voters approved a $3,525,000 capital project. The local share of the project will be funded by $275,000 from the Smart Schools Bond Act and $500,000 from the Capital Reserve.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at Gilbertsville - Mount Upton Central School District, 693 State Highway 51, Gilbertsville, New York 13776-1104.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

Assets		
Cash and Cash Equivalents	$	752,949
Restricted Cash and Cash Equivalents		3,056,997
Receivables		
Due From Other Governments		420,239
Due from Fiduciary Funds		1,290
Other Receivables		305
Inventory		9,835
Net Pension Asset - Proportionate Share		1,695,668
Capital Assets (Net of Accumulated Depreciation)		13,450,490
Total Assets		19,387,773
Deferred Outflows of Resources		
Pensions		861,676
Total Assets and Deferred Outflows of Resources	$	20,249,449
Liabilities		
Accounts Payable	$	58,699
Accrued Interest Payable		11,131
Due To		
Other Governments		469
Teachers' Retirement System		379,520
Employees' Retirement System		34,440
Net Pension Liability - Proportionate Share		478,754
Noncurrent Liabilities		
Due Within One Year		
Bonds Payable		530,000
Bond Premium		25,357
Due in More Than One Year		
Bonds Payable		5,180,000
Bond Premium		202,858
Compensated Absences		509,481
Other Post Employment Benefits		4,168,507
Total Liabilities		11,579,216
Deferred Inflows of Resources		
Pensions		642,322
Net Position		
Net Investment in Capital Assets		7,890,469
Restricted		3,056,997
Unrestricted (Deficit)		(2,919,555)
Total Net Position		8,027,911
Total Liabilities, Deferred Inflows of Resources and Net Position	$	20,249,449

The Accompanying Notes are an Integral Part of These Financial Statements.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
General Support	$ 1,578,350	$	$	$ (1,578,350)
Instruction	5,870,934		300,697	(5,570,237)
Pupil Transportation	756,389			(756,389)
Community Service	1,000			(1,000)
Debt Service - Unallocated Interest	295,075			(295,075)
Food Service	246,534	52,410	159,727	(34,397)
Total Functions/Programs	$ 8,748,282	$ 52,410	$ 460,424	(8,235,448)
General Revenues				
Real Property Taxes, STAR and Other Real Property Items				2,330,802
Use of Money and Property				38,959
Sales of Property and Compensation for Loss				24,346
State and Federal Sources				6,211,037
Miscellaneous				566,994
Total General Revenues				9,172,138
Change in Net Position				936,690
Net Position, Beginning of Year				7,091,221
Net Position, End of Year				$ 8,027,911

The Accompanying Notes are an Integral Part of These Financial Statements.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Assets						
Cash and Cash Equivalents	$ 750,426	$ 1,228	$ 1,295	$	$	$ 752,949
Restricted Cash and Cash Equivalents	2,466,543			212,119	378,335	3,056,997
Receivables						
Due From Other Governments	371,182	1,009	48,048			420,239
Due from Other Funds	90,633			141		90,774
Other Receivables	305					305
Inventory		9,835				9,835
Total Assets	$ 3,679,089	$ 12,072	$ 49,343	$ 212,260	$ 378,335	$ 4,331,099
Liabilities						
Payables						
Accounts Payable	$ 58,699	$	$	$	$	$ 58,699
Due To						
Other Governments		469				469
Other Funds	40,000		49,343		141	89,484
Teacher's Retirement System	379,520					379,520
Employees' Retirement System	34,440					34,440
Total Liabilities	512,659	469	49,343		141	562,612
Fund Balance						
Nonspendable		9,835				9,835
Restricted	2,466,543			212,260	378,194	3,056,997
Assigned	331,855	1,768				333,623
Unassigned	368,032					368,032
Total Fund Balance	3,166,430	11,603		212,260	378,194	3,768,487
Total Liabilities and Fund Balance	$ 3,679,089	$ 12,072	$ 49,343	$ 212,260	$ 378,335	$ 4,331,099

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2016

	Total Governmental Funds (Modified Accrual)	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Position Total
Assets				
Cash and Cash Equivalents	$ 752,949	$	$	$ 752,949
Restricted Cash and Cash Equivalents	3,056,997			3,056,997
Receivables				
State and Federal Aid				
Due from Other Governments	420,239			420,239
Due from Other Funds	90,774		(89,484)	1,290
Other Receivables	305			305
Inventory	9,835			9,835
Net Pension Asset - Proportionate Share		1,695,668		1,695,668
Capital Assets (Net of Accumulated Depreciation)		13,450,490		13,450,490
Total Assets	4,331,099	15,146,158	(89,484)	19,387,773
Deferred Outflows of Resources		861,676		861,676
Total Assets and Deferred Outflows of Resources	$ 4,331,099	$ 16007,834	$ (89,484)	$ 20249449
Liabilities				
Accounts Payable	$ 58,699	$	$	$ 58,699
Accrued Interest Payable		11,131		11,131
Bonds Payable		5,710,000		5,710,000
Bond Premium		228,215		228,215
Due To				
Due to Other Governments	469			469
Other Funds	89,484		(89,484)	
Teachers' Retirement System	379,520			379,520
Employees' Retirement System	34,440			34,440
Compensated Absences		509,481		509,481
Other Postemployment Benefits		4,168,507		4,168,507
Net Pension Liability - Proportionate Share		478,754		478,754
Total Liabilities	562,612	11,106,088	(89,484)	11,579,216
Deferred Inflows of Resources		642,322		642,322
Fund Balance/Net Position	3,768,487	4,259,424		8,027,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	$ 4,331,099	$ 16,007,834	$ (89,484)	$ 20,249,449

The Accompanying Notes are an Integral Part of These Financial Statements.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Revenues						
Real Property Taxes	$ 1,908,508	$	$	$	$	$ 1,908,508
STAR and Other Real Property Tax Items	422,294					422,294
Charges for Services						
Use of Money and Property	13,372	3		227		13,602
Sale of Property and Compensation for Loss	32,601					32,601
Miscellaneous	558,835	8,159				566,994
State Aid	6,176,952	6,746	13,957			6,197,655
Federal Aid	34,085	152,981	286,740			473,806
School Lunch Sales		52,410				52,410
Total Revenues	9,146,647	220,299	300,697	227		9,667,870
Expenditures						
General Support	1,197,245				221,806	1,419,051
Instruction	3,819,315		295,052			4,114,367
Pupil Transportation	508,709		5,645		233,332	747,686
Community Service	1,000					1,000
Food Service Program		185,807				185,807
Employee Benefits	1,845,575	44,455				1,890,030
Debt Service - Principal	505,000					505,000
Debt Service - Interest	296,113					296,113
Total Expenditures	8,172,957	230,262	300,697		455,138	9,159,054
Excess (Deficit) Revenues Over Expenditures	973,690	(9,963)		227	(455,138)	508,816
Other Financing Sources (Uses)						
Transfers from Other Funds	35,710				833,332	869,042
Transfers to Other Funds	(833,332)				(35,710)	(869,042)
Total Other Financing Sources (Uses)	(797,622)				797,622	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	176,068	(9,963)		227	342,484	508,816
Fund Balance, Beginning of Year	2,990,362	21,566		212,033	35,710	3,259,671
Fund Balance, End of Year	$ 3,166,430	$ 11,603	$	$ 212,260	$ 378,194	$ 3,768,487

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND EXPENDITURES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Changes in Fund Balance - Total Governmental Funds		$	508,816
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays in the period.			
Depreciation Expense	(681,896)		
Loss on Disposal	(8,255)		
Capital Outlays	455,138		(235,013)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Bonds issued at a premium create revenue for the governmental funds but that premium is amortized over the life of the bond in the statement of net position.			
Repayment Bond Principal	505,000		
Amortization of Premium on Bonds	25,357		530,357
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in Accrued Interest on Debt	1,038		
Change in Compensated Absences	126,581		
Increase in Other Postemployment Benefits	(407,070)		
Change in Pension Expense	411,981		132,530
Change in Net Position Governmental Activities		$	936,690

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Agency	Private Purpose Trusts
Assets		
Cash and Cash Equivalents	$ 42,309	$
Cash and Cash Equivalents - Restricted		32,827
Investments		16,809
Total Assets	$ 42,309	$ 49,636
Liabilities		
Due to Other Funds	$ 1,290	
Agency Liabilities	2,365	
Extraclassroom Activity Balances	38,654	
Total Liabilities	$ 42,309	
Net Position		
Restricted for Scholarships		$ 49,636
Total Net Position		49,636
Total Liabilities and Net Position		$ 49636

The Accompanying Notes are an Integral Part of These Financial Statements.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	Private Purpose Trusts
Additions	
Investment Income	$ 1,113
Gifts and Contributions	8,779
Total Additions	9,892
Deductions	
Scholarships and Awards	12,075
Change in Net Position	(2,183)
Net Position, Beginning of Year	51,819
Net Position, End of Year	$ 49,636

The Accompanying Notes are an Integral Part of These Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gilbertsville-Mount Upton Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as they apply to governmental 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.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

Extraclassroom Activity Funds

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

Joint Ventures

The School District is a component district in Delaware, Chenango, Madison, and Otsego Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component 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.

Basis of Presentation

(a) District-Wide Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, 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.

(b) Fund Financial Statements

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

General Fund: This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes.

School Lunch Fund: This fund is used to account for and report transactions of the School District's food service operations.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds: This fund accounts for and reports all financial resources that are restricted to expenditures for principal and interest. Debt Service Funds should be used to report resources if legally mandated.

(c) Fiduciary Funds

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

Private Purpose Trust Funds: These funds are used to account for and report 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 School 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 School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

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, other postemployment benefits, pension liabilities, potential contingent liabilities, and useful lives of long-lived assets.

Cash and Cash Equivalents

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since management believes that such allowance would not be material.

Investments

Investments held by the School District are stated at fair value. Changes in the fair value of the investments and interest in dividends are reported as investment income.

Inventories

The inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, donated by the U.S. Department of Agriculture, at the government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets

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

The School District uses capitalization thresholds of $1,000, (the dollar value above which asset acquisitions are added to the capital asset accounts for grouped like assets or individual assets). Depreciation methods and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	Lives	Depreciation Method
Furniture, Equipment and Vehicles	4-20 Years	Straight Line
Buildings and Improvements	20-30 Years	Straight Line

Deferred Outflow 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 one item that qualifies for reporting in this category. It 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 is proportion share of total contributions to the pension systems not included in pension expense.

Property Taxes

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to mid-November. Uncollected real property taxes are subsequently enforced by the counties of Otsego and Chenango. An amount, representing uncollected real property taxes transmitted to the counties for enforcement, is paid by the counties to the School District no later than the forthcoming April 1.

Interfund Transactions

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 10 to the financial statements.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

Compensated Absences

The School 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.

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

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability on the District-wide statements at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources.

Other Benefits

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are 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 postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting.

Accrued Liabilities and Long-Term Obligations

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

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

New Accounting Standard

The District changed accounting policies related to the financial statement presentation of investments with the adoption of Statement of Governmental Accounting Standards (GASB Statement) No. 72, Fair Value Measurement and Application in 2016. The Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Equity Classifications

(a) 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, construction or improvements of those assets.

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

Unrestricted net position – reports the balance of the 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.

(b) Fund Statements

The School District follows GASB's authoritative guidance under GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Non-Spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance consists of inventory recorded in the School Lunch Fund.

Restricted Resources

This category 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. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The School District has established the following restricted fund balances:

- ***Capital Reserve***

  The Capital Reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the people at any special or annual meeting. Such authorization is further required for payments from the capital reserve. The form of the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of Education Law. This reserve is accounted for in the General Fund.

- ***Liability Reserve***

  The Property Loss and Liability Reserves [Education Law §1709(8)(c)] are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget. These reserves are accounted for in the General Fund.

- ***Unemployment Insurance Reserve***

  The Unemployment Insurance Reserve (GML §6-m) is 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 School 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.

- ***Retirement Contribution Reserve***

  The Retirement Contribution Reserve (GML 6-r) (Chapter 260 of the NYS Laws of 2004) is used to reserve funds for the payment of retirement contributions to the New York State and Local Employees' Retirement System. This reserve was established by a Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

- ***Reserve for Employee Benefit Accrued Liability***

  The Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds 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. The reserve is accounted for in the General Fund.

- ***Debt Service Fund***

  This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Capital Fund***

  This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

- ***Assigned*** – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the District's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than capital fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year's budget of the General fund is also classified as Assigned Fund Balance in the General Fund.

- ***Unassigned*** – Includes all other fund resources that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

(c) Reserve for Endowments and Scholarships - This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.

(d) Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the School district and then determine the order of application of expenditures to which the fund balance classification will be charged.

Future Changes in Accounting Standards

- GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the period ending June 30, 2018. This Statement requires that the District recognize the full amount of the OPEB liability on the District-wide Statement of Net Position.

- GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the period ending June 30, 2017. This Statement requires that the District disclose any abatements (including PILOTs) and those of other governments that effect the District.

The school district will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental 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 Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Position of Governmental Activities

The total fund balances of the School District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

Statement of Revenues, Expenditures, and Changes In Fund Balances Compared To Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories:

(a) 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.

(b) 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.

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental 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.

(d) 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.

(e) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function on the Statement of Activities.

3. STEWARDSHIP AND COMPLIANCE

Fund Balance Limitations

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. At June 30, 2016, the School District's General Fund unassigned fund balance was 4.00% of the 2016-2017 budget.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which legal (appropriated) budgets are adopted:

The voters of the School District approved the proposed appropriations 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) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

Change from Adopted Budget to Revised Budget

Adopted Budget	$ 8,995,610
Add: Prior Year's Encumbrances	18,613
Voter Approved Capital Fund Transfer	500,000
Voter Approved Bus Purchases	233,332
Original Budget	9,747,555
Final Budget	$ 9,747,555

The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

Budgets are established and used for individual capital project funds 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.

Encumbrances

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

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy for custodial credit risk and New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

A. Uncollateralized;
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

As of June 30, 2016, the School District had bank balances of $4,046,412 of which $752,500 was fully insured by the FDIC. The balance of $3,293,912 was exposed to credit risk but fully collateralized by securities held by an agent of the pledging financial institution in the School District's name.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of $2,466,543 in the General Fund for the year ended June 30, 2016 represents the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Reserve	$ 1,044,740	$ 640,242	$ 733,332	$ 951,650
Liability Reserve	140,372	80,056		220,428
Unemployment Insurance Reserve	140,199	57		140,256
Retirement Contribution Reserve	160,427	145,065		305,492
Employee Benefit Accrued Liability	848,374	343		848,717
Total	$ 2,334,112	$ 865,763	$ 733,332	$ 2,466,543

Restricted cash and cash equivalents of $212,119 in the Debt Service fund represents funds restricted for debt service of outstanding deficit financing bonds. Restricted cash and cash equivalents of $378,335 in the Capital fund represents funds restricted for capital projects approved by the voters. Restricted cash in the Fiduciary Fund was $32,827.

Investments

Investments are stated at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Fixed Income Securities: Securities for which no sale was reported on the valuation date are valued at the last reported bid price.

The School District has the following recurring fair value measurements as of June 30, 2016:

Fixed Income Securities	Cost	Fair Value
$12 million Missouri Pacific RR Col Income Debenture, Matures 1/1/2045 - Level 2 (Rating Moodys A2)	$ 7,025	$ 11,738
$5 million Bank of India CD, NYC, NY - Level 2	5,118	5,072
Total	$ 12,143	$ 16,810

5. PARTICIPATION IN BOCES

During the year, the School District was billed $1,469,247 for BOCES' administrative and program costs. Financial statements for the BOCES are available from the BOCES' administrative office at 6678 County Road 32, Norwich, New York 13815.

Financial statements for the BOCES are available from the Delaware-Chenango-Madison-Otsego BOCES' administrative office located in Norwich, New York.

During the year ended June 30, 2016, the School District issued no debt on behalf of BOCES. However, during 2008, the BOCES issued $47,755,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of the BOCES as a lease payment included in the administrative budget of the BOCES over the term of the bonds. During 2016, no principal payments were made and the outstanding balance at June 30, 2016, was $32,265,000. The Bonds were refinanced through DASNY in June 2015, to reduce the debt service expenditures over the remaining life of the bonds.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

	Beginnning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 80,000	$	$	$ 80,000
Construction in Progress	14,809	221,806		236,615
Total	94,809	221,806		316,615
Capital Assets Being Depreciated				
Buildings and Improvements	19,599,122			19,599,122
Furniture, Equipment and Vehicles	4,853,839	233,332	165,104	4,922,067
Total	24,452,961	233,332	165,104	24,521,189
Accumulated Depreciation				
Buildings and Improvements	6,827,303	538,983		7,366,286
Furniture, Equipment and Vehicles	4,034,964	142,913	156,849	4,021,028
Total	10,862,267	681,896	156,849	11,387,314
Net Capital Assets Being Depreciated	13,590,694	(448,564)	8,255	13,133,875
Net Capital Assets	$ 13,685,503	$ (226,758)	$ 8,255	$ 13,450,490

Depreciation expense of $681,896 is charged as follows:

Function/Program		
General Support	$	149,630
Instruction		433,835
Pupil Transportation		78,839
School Lunch		19,592
Total Depreciation	$	681,896

7. NONCURRENT LIABILITIES

Noncurrent liability balances and activity are as follows for the year ended June 30, 2016:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Serial Bonds Payable	$ 6,215,000	$	$ 505,000	$ 5,710,000	$ 530,00
Bond Premium	253,572		25,357	228,215	25,35
Other Liabilities					
Other Postemployment Benefits	3,761,437	562,714	(155,644)	4,168,507	
Compensated Absences	636,062		126,581	509,481	
Total Noncurrent Liabilities	$ 10,866,071	$ 562,714	$ 501,294	$ 10,616,203	$ 555,35

The General Fund has typically been used to liquidate noncurrent liabilities through budget appropriations.

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Long-Term Debt Maturity Schedule

The following is a statement of serial bonds with corresponding maturity schedules:

Payable From/Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Ending Balance
General Fund Construction	06/11	$ 7,955,000	06/25	2.00-5.25	$ 5,710,000
Total					$ 5,710,000

Principal and interest payments due on serial bonds are as follows:

For the Year Ending June 30,	Serial Bonds Principal	Interest	Total
2017	$ 530,000	$ 270,863	$ 800,863
2018	555,000	244,363	799,363
2019	580,000	222,163	802,163
2020	600,000	203,313	803,313
2021	620,000	179,313	799,313
2022-25	2,825,000	380,101	3,205,101
Total	$ 5,710,000	$ 1,500,116	$ 7,210,116

Interest on Long Term Debt

Interest paid on long-term debt for the year was $296,113.

Interest expense on the District-wide financial statements is calculated as follows:

Interest Paid	$ 296,113
Less: Interest Accrued in the Prior Year	(12,169)
Plus: Interest Accrued in the Current Year	11,131
Total Interest Expense on Long-Term Debt	$ 295,075

Debt Limit

Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The Constitutional and statutory method for determining full valuation consist of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority. The District is in compliance with its constitutional debt limit at year end.

Serial Bond Premium

In 2011, the District issued serial bonds through the Dormitory Authority of the State of New York for $7,955,000. The serial bonds have an average coupon interest rate of 4.31%. However, since the all-in time interest rate was set at 4.26%, the bonds were issued at a premium of $355,000. While this amount was recognized as revenue in the Capital Fund, it is considered unearned revenue on the District-wide financial statements. The premium is being amortized until the bond matures in 2025. Interest revenue amortized for the year ending June 30, 2016, was $25,357 and the remaining unamortized balance of deferred bond premium is $228,215.

Compensated Absences

Compensated absences represent vacation and sick time that has been earned by the School District employees but not used as of June 30, 2016.

8. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2016, were paid. The required contributions for the current year and two preceding years were:

	Amount	
2014	$	186,001
2015	$	180,989
2016	$	152,130

(c) ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the School District reported a liability of $478,754 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the School District's proportion was .0029828 percent.

For the year ended June 30, 2016, the School District recognized pension expense of $183,953. At June 30, 2016, the School District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	2,419	$	56,748
Change of Assumtions		127,669		
Net difference between projected and actual earnings on Pension plan investments		284,023		
Changes in proportion and differences between contributions and proportionate share of contributions		41,738		
Contributions subsequent to the measurement date		34,440		
Total	$	490,289	$	56,748

Amounts reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	$	102,945
2018	$	102,945
2019	$	102,945
2020	$	90,266

(d) ***Actuarial Assumptions***

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

(e) *Discount Rate*

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension liability (assets)	$ 1,079,557	$ 478,754	$ (28,898)

(g) *Pension Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) *Payables to the Pension Plan*

The School District has recorded an amount due to ERS in amount of $34,440 in the General Fund at June 30, 2016. This amount represents the three months of the School District's fiscal year that will be included in the ERS 2016-2017 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) *Plan Description*

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized 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 membership class (6 tiers). TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% their of salary to the System. Tier 5 members are required by law to contribute 3.5% of their salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of their salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity. The required employer contributions for the current year and two preceding years were:

	Amount	Rate
2014	$ 389,891	16.25%
2015	$ 429,882	17.53%
2016	$ 363,923	13.26%

(c) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the School District reported an asset of $1,695,668 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the School District's proportionate share was .016325 percent, which was a decrease of .000082 percent from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense (credit) of $(118,119). At June 30, 2016, the School District 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
Differences between expected and actual experience	$	$ 46,994
Net difference between projected and actual earnings on Pensions plan investments		536,010
Changes in proportion and differences between contributions and proportionate share of contributions	7,464	2,570
Contributions subsequent to the measurement date	363,923	
Total	$ 371,387	$ 585,574

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	$	215,549
2017	$	215,549
2018	$	215,549
2019	$	(89,785)
2020	$	5,213
Thereafter	$	16,035

(d) Actuarial Assumptions

The total pension liability at June 30, 2015 measurement date was determined by using an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the June 30, 2014 valuation were as follows:

Investment Rate of Return	8.0 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

Age	Female	Male
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually.
Inflation rate	3.0%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2014 and June 30, 2013 are summarized in the following table:

Asset Class	Target Allocation 2014	Target Allocation 2013	Long-Term Expected Real Rate of Return* 2014	Long-Term Expected Real Rate of Return* 2013
Domestic equity	37.0%	37.0%	6.5%	7.3%
International equity	18.0%	18.0%	7.7%	8.5%
Real estate	10.0%	10.0%	4.6%	5.0%
Alternative investments	7.0%	7.0%	9.9%	11.0%
Domestic fixed income securities	17.0%	18.0%	2.1%	1.5%
Global fixed income securities	2.0%	2.0%	1.9%	1.4%
Mortagages	8.0%	8.0%	3.4%	3.4%
Short-term	1.0%	0.0%	1.2%	0.8%

** Real rates of return are net of the long-term inflation assumption of 3.0% for 2014 and 2013.*

(e) *Discount Rate*

The discount rate used to measure the pension liability (asset) was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 8.0 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability (assets)	$ 115,666	$ (1,695,668)	$ (3,240,357)

(g) *Pension Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) *Payables to the Pension Plan*

The School District has recorded an amount due to TRS in amount of $379,520 in the General Fund at June 30, 2016. This amount represents contribution for the 2015-2016 fiscal year that will be made in 2016-2017 and has been accrued as an expenditure in the current year.

9. OTHER POSTEMPLOYMENT BENEFITS

(a) Plan Description

The School District provides medical and dental benefits to retired employees and covered dependents. The Gilbertsville Retiree Medical Plan (the Plan) is a single-employer defined benefit Other Postemployment Benefit plan. Employees are eligible for these benefits upon retirement at age 55 or over with at least 10 to 15 years of service. The District pays 50% to 100% of the cost for individual coverage and 35% to 100% of the cost of dependent coverage. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees. The Plan can be amended by action of the School District subject to applicable collective bargaining and employment agreements.

The Plan does not issue a stand-alone publicly available financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

(b) Funding Policy

The obligations of the Plan members, employers, and other entities are established by action of the School District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the School District. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation:

(c) Annual OPEB Cost and Net OPEB Obligation

	Total
Normal Cost	$ 307,195
Amortization of UAL	302,078
Interest	12,185
Annual required contribution (ARC)	621,458
Interest on OPEB Obligation	150,457
Adjustment to ARC	(209,201)
Annual OPEB Cost (Expense)	562,714
Contributions Made	(155,644)
Change in Net OPEB Obligation	407,070
Net OPEB Obligation at the Beginning of the Year	3,761,437
Net OPEB Obligation at the End of the Year	$ 4,168,507

(d) Trend Information

Fiscal Year Ending	Annual Net OPEB Cost	OPEB Cost Contributed	% of Expense Contributed	Net OPEB Obligation
June 30, 2016	$ 562,714	$ 155,644	27.66%	$ 4,168,507
June 30, 2015	$ 556,896	$ 160,310	28.79%	$ 3,761,437
June 30, 2014	$ 592,990	$ 134,939	22.76%	$ 3,364,851

(e) Funding Status

		Total
Actuarial Accrued Liability (AAL)	$	5,432,487
Actuarial Value of Assets		0
Unfunded Actuarial Accrued Liability (UAAL)	$	5,432,487
Funded Ratio (Assets as a Percentage of AAL)		0.0%
Covered Payroll	$	3,502,838

(f) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial measurement date was July 1, 2014.

(g) Health Care Trend Factors

Medical care costs are assumed to decrease in accordance with the following schedule:

Year	Trend
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%

(h) Additional Information

Actuarial Valuation Date	July 1, 2014
Census Collection Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period (Years)	30
Amortization Discount	4.0%
Method Used to Determine Actuarial Value of Assets	N/A

10. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Fund	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General	$ 90,633	$ 40,000	$ 35,710	$ 833,332
Special Aid		49,343		
Debt Service	141			
Capital Fund		141	833,332	35,710
Trust and Agency		1,290		
Total	$ 90,774	$ 90,774	$ 869,042	$ 869,042

- The School District transferred a total of $833,332 from the General Fund to the Capital Fund; $500,000 for a district-wide improvement project, $100,000 for a lighting project, and $233,332 for the purchase of school buses as approved by the voters of the School District.
- The School District transferred a total of $35,710 from the Capital Fund to the General Fund for closed capital projects.
- All interfund payables are expected to be repaid within one year.
- Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

11. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	General	School Lunch	Debt Service	Capital	Total
Nonspendable	$	$ 9,835	$	$	$ 9,835
Restricted					
Capital Reserve	951,650				951,650
Liability Reserve	220,428				220,428
Unemployment Insurance Reserve	140,256				140,256
Retirement Contribution Reserve	305,492				305,492
Employee Benefit Accrued Liability Reserve	848,717				848,717
Debt Service Fund			212,260		212,260
Capital Project Fund				378,194	378,194
Total Restricted	2,466,543		212,260	378,194	3,056,997
Assigned					
School Lunch Fund		1,768			1,768
Encumbrances	46,855				46,855
Appropriated for Subsequent Year's Budget	285,000				285,000
Total Assigned	331,855	1,768			333,623
Unassigned	368,032				368,032
Total Fund Equity	$ 3,166,430	$ 11,603	$ 212,260	$ 378,194	$ 3,768,487

The following is a summary of the change in selected general fund restricted funds during the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Reserve	$ 1,044,740	$ 640,242	$ 733,332	$ 951,650
Liability Reserve	140,372	80,056		220,428
Unemployment Insurance Reserve	140,199	57		140,256
Retirement Contribution Reserve	160,427	145,065		305,492
Employee Benefit Accrued Liability	848,374	343		848,717
Total	$ 2,334,112	$ 865,763	$ 733,332	$ 2,466,543

12. RISK MANAGEMENT

General Information

The School 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.

Risk Financing and Related Insurance

(a) Worker's Compensation Insurance Plan

Gilbertsville-Mount Upton Central School District participates with 29 other school districts in the Madison-Oneida-Herkimer Worker's Compensation Plan Consortium for its workers' compensation insurance coverage. Entities joining the plan must remain members for a minimum of one year; a member may withdraw from the plan after that time by submitting a notice of withdrawal 30 days prior to the plan's year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims' costs depend on complex factors, the process used in computing claims' liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made. The Consortium is a shared-risk public entity risk pool, whereby each district pays annual premiums based on the expected aggregate claims for all enrollees. Paid claims are also accounted for in the aggregate with individual district activity not being traced separately. Due to this arrangement, a possible contingent liability exists for Gilbertsville-Mount Upton Central School District as a result of the possibility that any participating school district may have actual claims less than the annual premium and try to recover its portion due to it through the Consortium participants. During the year ended June 30, 2016, Gilbertsville-Mount Upton Central School District incurred premiums or contribution expenditures of $23,221.

Certain required disclosures are not presented because information on an individual School District is unavailable from the Plan.

Financial statements for the Madison-Oneida-Herkimer Worker's Compensation Plan Consortium are available from its office located at 4937 Spring Road, Verona, New York 13478.

(b) Health Insurance Plan

The Gilbertsville-Mount Upton Central School District incurs costs related to an employee health insurance plan sponsored by the Erie I BOCES NY44 Health Insurance Trust. The Trust's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program. Trust members are subject to a supplemental assessment in the event of deficiencies. If the Trust's assets were to be exhausted, members would be responsible for the Trust's liabilities. The Trust uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Trust as direct insurer of the risks reinsured. The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended June 30, 2016, the Gilbertsville-Mount Upton Central School District incurred premiums or contribution expenditures totaling $1,049,622.

Certain required disclosures are not presented because information on an individual School District is unavailable from the Trust.

Financial statements for the Trust are available from its office located at 355 Harlem Road, West Seneca, New York 14224.

(c) Other Risks

The School District continues to maintain commercial insurance policies for all other risks of loss such as general liability.

13. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2016, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	General Fund
Encumbrances	
General Support	$ 20,828
Instruction	9,355
Pupil Transportation	16,672
Total Encumbrances	$ 46,855

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	$ 1,918,465	$ 1,918,465	$ 1,908,508		$ (9,957)
Other Real Property Tax Items	412,650	412,650	422,294		9,644
Charges for Services	1,000	1,000			(1,000)
Use of Money and Property	14,000	14,000	13,372		(628)
Sale of Property and Compensation for Loss	9,500	9,500	32,601		23,101
Miscellaneous	65,000	65,000	558,835		493,835
State Aid	6,268,186	6,268,186	6,176,952		(91,234)
Federal Aid	11,809	11,809	34,085		22,276
Total Revenues	8,700,610	8,700,610	9,146,647		446,037
Other Financing Sources					
Transfers from Other Funds			35,710		35,710
Appropriated Reserve	933,332	933,332			(933,332)
Appropriated Fund Balance	113,613	113,613			(113,613)
Total Revenues and Other Financing Sources	$ 9,747,555	$ 9,747,555	9,182,357		$ (565,198)

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	$ 15,996	$ 18,275	16,683	$ 271	$ 1,321
Central Administration	170,736	177,849	169,276	1	8,572
Finance	180,321	190,658	183,846	224	6,588
Staff	66,066	82,103	73,965	2,399	5,739
Central Services	646,563	668,756	508,538	17,933	142,285
Special Items	254,898	254,898	244,937		9,961
Total General Support	1,334,580	1,392,539	1,197,245	20,828	174,466
Instruction					
Instruction, Administration, and Improvement	174,695	176,588	160,637		15,951
Teaching - Regular School	2,187,996	2,241,044	2,168,387	4,904	67,753
Programs for Children With Special Needs	945,483	839,538	767,451		72,087
Occupational Education	209,311	209,311	204,138		5,173
Teaching - Special School	10,000	12,741	12,741		
Instructional Media	233,144	261,594	249,961		11,633
Pupil Services	283,645	288,730	256,000	4,451	28,279
Total Instruction	4,044,274	4,029,546	3,819,315	9,355	200,876
Pupil Transportation	625,543	678,249	508,709	16,672	152,868
Community Services	1,000	1,000	1,000		
Employee Benefits	2,054,214	1,958,277	1,845,575		112,702
Debt Service - Principal	505,000	505,000	505,000		
Debt Service - Interest	299,612	299,612	296,113		3,499
Total Expenditures	8,864,223	8,864,223	8,172,957	46,855	644,411
Other Financing Uses					
Transfers to Other Funds	883,332	883,332	833,332		50,000
Total Expenditures and Other Financing Uses	$ 9,747,555	$ 9,747,555	9,006,289	$ 46,855	$ 694,411
Net Change in Fund Balance			176,068		
Fund Balance - Beginning of Year			2,990,362		
Fund Balance - End of Year			$ 3,166,430		

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is 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.

See Independent Auditor's Report.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended June 30, 2016

Fiscal Year Ending		Actuarial Value of Assets (a)		Actuarial Accrued Liability-Projected Unit Credit (b)		Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)		Covered Payroll (c)	UAAL as % of Covered Payroll [(b)-(a)]/(c)
June 30, 2016	$		$	5,432,487	$	5,432,487	0%	$	3,502,838	155%
June 30, 2015	$		$	5,432,487	$	5,432,487	0%	$	3,502,838	155%
June 30, 2014	$		$	6,364,870	$	6,364,870	0%	$	3,311,687	192%

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
For the Year Ended June 30, 2016

ERS Pension Plan
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 152,130	$ 180,989	$ 186,001	$ 179,540	$ 142,560	$ 100,336	$ 60,270	$ 63,110	$ 64,034	$ 101,598
Contributions in Relation to the Contractually Required Contribution	152,130	180,989	186,001	179,540	142,560	100,336	60,270	63,110	64,034	101,598
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
School District's Covered-ERS Employee Payroll	$ 875,498	$ 901,855	$ 892,903	$ 946,205	$ 906,919	$ 896,710	$ 865,891	$ 823,270	$ 807,404	$ 835,008
Contributions as a Percentage of Covered-Employee Payroll	17.38%	20.07%	20.83%	18.97%	15.72%	11.19%	6.96%	7.67%	7.93%	12.17%

TRS Pension Plan
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 363,923	$ 429,882	$ 389,891	$ 312,183	$ 292,764	$ 229,879	$ 167,751	$ 213,637	$ 240,652	$ 235,155
Contributions in Relation to the Contractually Required Contribution	363,923	429,882	389,891	312,183	292,764	229,879	167,751	213,637	240,652	235,155
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
School District's Covered-TRS Employee Payroll	$ 2,744,517	$ 2,452,265	$ 2,399,329	$ 2,636,681	$ 2,635,140	$ 2,666,810	$ 2,710,032	$ 2,799,961	$ 2,756,609	$ 2,734,360
Contributions as a Percentage of Covered-Employee Payroll	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%	6.19%	7.63%	8.73%	8.60%

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

ERS Pension Plan

	2016	2015
District's Proportion of the Net Pension Liability	0.00298	0.00295
District's Porportionate Share of the Net Pension Liability	$ 478,754	$ 99,733
District's Covered-Employee Payroll	$ 875,498	$ 901,855
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	54.68%	11.06%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.7%	97.9%

TRS Pension Plan

	2015	2014
District's Proportion of the Net Pension Asset	0.016325	0.016243
District's Porportionate Share of the Net Pension Asset	$ 1,695,668	$ 1,809,359
District's Covered-Employee Payroll	$ 2,452,265	$ 2,399,329
District's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	69.15%	75.41%
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	110.46%	111.48%

See Independent Auditor's Report.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
For the Year Ended June 30, 2016

Change from Adopted Budget to Revised Budget

Adopted Budget	$ 8,995,610
Add: Prior Year's Encumbrances	18,613
Voter Approved Capital Fund Transfer	500,000
Voter Approved Bus Purchases	233,332
Original Budget	9,747,555
Final Budget	$ 9,747,555

Section 1318 of Real Property Tax Law Limit Calculation

2016-17 Voter-Approved Expenditure Budget		$ 9,205,500
Maximum Allowed (4% of 2016-17 Budget)		$ 368,220
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 331,855	
Unassigned fund balance	368,032	
Total unrestricted fund balance	699,887	
Less:		
Appropriated fund balance	285,000	
Encumbrances included in committed and assigned fund balance	46,855	
Total adjustments	331,855	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 368,032
Actual percentage		4.00%

See Independent Auditor's Report.

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2016

			Expenditures				Methods of Financing			
PROJECT TITLE	Original Authorization	Revised Authorization	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Local Sources	Total	Fund Balance June 30, 2016
Prior year Closed Projects	$ 1,421,144	$ 1,421,144	$ 1,372,960	$	$ 1,372,960	48,184	$ 185,000	$ 1,223,670	$ 1,408,670	$ 35,710
2015 Capital Project	3,525,000	3,525,000		121,806	121,806	3,403,194		500,000	500,000	378,194
2016 Lighting	100,000	100,000		100,000	100,000			100,000	100,000	
2016 Bus and Vehicles	234,000	233,332		233,332	233,332			233,332	233,332	
Totals	$ 5,280,144	$ 5,279,476	$ 1,372,960	$ 455,138	$ 1,828,098	$ 3,451,378	$ 185,000	$ 2,057,002	$ 2,242,002	413,904
								Transfer to General Fund		(35,710)
										$ 378,194

GILBERTSVILLE-MOUNT UPTON CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2016

Capital Assets, Net	$	13,450,490
Add:		
Capital Fund Unspent Proceeds		378,194
Deduct:		
Remaining Premium on Bonds Payable		228,215
Short-Term Portion of Bonds Payable		530,000
Long-Term Portion Bonds Payable		5,180,000
Total Deductions		5,938,215
Net Investment in Capital Assets	$	7,890,469