PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE **BOND ANTICIPATION NOTES**

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

The Notes will be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

$3,980,000

CLIFTON-FINE CENTRAL SCHOOL DISTRICT

ST. LAWRENCE COUNTY, NEW YORK

GENERAL OBLIGATIONS

CUSIP BASE #: 187000

$3,980,000 Bond Anticipation Notes, 2019

(referred to herein as the "Notes")

Dated: August 1, 2019 **Due: July 15, 2020**

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

The Notes are not subject to redemption prior to maturity. At the option of the Purchaser(s), the Notes will be issued as registered notes or registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of $5,000 or multiples thereof, as may be determined by such successful bidder(s).

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), on or about August 1, 2019.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on July 16th, 2019 by no later than 11:00 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

July 11, 2019

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

Clifton-Fine Central
HOME OF THE EAGLES

ST. LAWRENCE COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2019-2020 BOARD OF EDUCATION

JEREMY E. THOMPSON [(1)]
President

VACANT [(2)]
Vice President

NICOLE CURRY
JOHN PERRAULT
ROBERT E. LACHUT
ROBERT TEBO, III
WALTER TODD
ROGER BENJAMIN

* * * * * * * * * *

REGINA YEO
Superintendent

COLLEEN AYERS
Business Manager

ALISON BENJAMIN
School District Clerk

FERRARA FIORENZA PC
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisors

TRESPASZ & MARQUARDT, LLP
BOND COUNSEL

(1) Shall serve as Board of Education President until the District's Board of Education elects the 2019-2020 Board of Education President at the ensuing meeting of the District's Board of Education on July 15, 2019.
(2) Shall be voted on and filled at the ensuing meeting of the District's Board of Education on July 15, 2019.

No person has been authorized by Clifton-Fine 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 Clifton-Fine Central School District.

TABLE OF CONTENTS

PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051
http://www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

CLIFTON-FINE CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK

Relating To

$3,980,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page, has been prepared by the Clifton-Fine Central School District, St. Lawrence County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of $3,980,000 principal amount of Bond Anticipation Notes, 2019 (the "Notes").

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

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

THE NOTES

Description of the Notes

The Notes are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State 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 "THE NOTES - Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated August 1, 2019 and will mature, without option of prior redemption, on July 15, 2020. The Notes will be issued in either (i) the name of the purchaser, in denominations of $5,000 or integral multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are issued pursuant to the Constitution and Status of the State of New York, including the Education Law and the Local Finance Law, and a bond resolution duly adopted by the Board of Education on January 22, 2018 authorizing the issuance of $3,980,000 serial bonds to finance renovations and improvements to the District's K-12 School Building and Bus Garage.

The proceeds of the Notes will provide $3,980,000 new monies for the abovementioned purpose.

Nature of the Obligation

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

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

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

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX 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, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

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

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

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

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

Redemption proceeds, distributions, and dividend 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 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The District is located in the Towns of Clifton, Fine, Pitcairn, and Russell in the southwest sector of St. Lawrence County. The District covers approximately 320 square miles.

The District provides public education for grades PK-12. Opportunities for higher education are provided by the State Universities at Potsdam and Canton, St. Lawrence University, Clarkson University, New York State Ranger School at Wanakena and the North Country Community College.

The District is served by an excellent network of State highways. Bus service is available in the City of Watertown. Air transportation is available at the Watertown and Syracuse Airports. Water and Sewer services are provided by private wells, the Star Lake Water District, and septic systems. Electricity is provided by National Grid; telephone service by CornerStone. Police protection is provided by the County Sherriff's Department and the New York State Police. Fire protection and ambulance services are provided by various volunteer organizations.

District residents find commercial and financial services in the hamlet of Star Lake. The District's location in the Adirondack State Park assures that the area is a center for outdoor recreational activities.

Source: District Officials.

Population

The current estimated population of the District is 2,063. (Source: 2017 U.S. Census Bureau.)

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 below listed Towns, County and State. The figures set below with respect to such Towns and County is included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Towns or the County are necessarily representative of the District, or vice versa.

	Per Capita Income			Median Family Income		
	2000	2006-2010	2013-2017	2000	2006-2010	2013-2017
Towns of:						
Clifton	$ 15,619	$ 18,817	$ 24,048	$ 38,875	$ 41,477	$ 50,197
Fine	16,744	19,736	26,260	38,618	41,944	50,833
Pitcairn	15,368	16,275	21,077	35,000	41,207	44,583
Russell	13,530	20,295	27,038	36,118	44,464	56,848
County of:						
St. Lawrence	26,393	20,143	23,554	63,907	50,384	57,668
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2012-2016 American Community Survey data.

Larger Employers

Some of the major employers located in or in close proximity to the District are as follows:

Company	Type	Approximate # of Employees
Clifton-Fine Hospital	Health Care Facility	85
Clifton-Fine Central School District	Public Education	77
Town of Fine	Government	34
Wanakena Ranger School	Forestry Education	24

Source: District officials.

Unemployment Rate Statistics

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

Annual Average

	2012	2013	2014	2015	2016	2017	2018
St. Lawrence County	10.3%	9.3%	7.7%	6.9%	6.6%	6.8%	5.6%
New York State	8.5	7.7	6.3	5.3	4.8	4.7	4.1%

Monthly Figures

	2018						2019					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
St. Lawrence County	5.6%	5.2%	4.3%	4.2%	4.4%	5.1%	6.3%	6.0%	6.1%	5.2%	4.9%	N/A
New York State	4.2%	4.0%	3.6%	3.6%	3.5%	3.9%	4.6%	4.4%	4.1%	3.6%	3.8%	N/A

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

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

Financial Organization

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

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of seven members with overlapping three-year terms so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the School District and no Board member may hold certain other district offices or position while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Investment Policy

Pursuant to the statutes of the State of New York, the School District is permitted to invest only in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) obligations issued pursuant to Local Finance Law Sections 2400 (tax anticipation notes) or 2500 (revenue anticipation notes) with approval of the State Comptroller, by any municipality, school district or district corporation other than the School District; and (6) in the case of the 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 a pledge of eligible securities, an eligible letter of credit or an eligible surety bond, as each such term is defined in the law.

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

The District has adopted its own Investment Policy, which, in addition to incorporating all of the provisions of statute enumerated above, further restricts trading partners to commercial banks or trust companies licensed and doing business in New York State. The Policy prohibits investing through any private entity or brokerage firm and provides for written Security Agreements and/or Custodial Agreements with each commercial bank or trust company.

Budgetary Procedures

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

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

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

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

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

Recent Budget Vote Results

The budget for the 2018-2019 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 158 to 45. The District's adopted budget for 2018-2019 year remains within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 174 to 50. The District's adopted budget for 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.25%, which is equal to the District tax levy limit of 1.25%.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 53.48% 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.

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

Potential reductions in Federal aid received by the State.

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

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

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

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

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

Building aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 71.6% 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 (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with $603 million in GEA cuts being restored, and provided an additional $428 million in foundation aid and $268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

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

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately $1,847,843. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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

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

State Aid Litigation

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

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

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

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

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

State Aid Revenues

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

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2013-2014	$ 8,875,524	$ 4,690,022	52.84%
2014-2015	9,241,580	5,054,891	54.70
2015-2016	8,859,074	4,666,654	52.68
2016-2017	9,122,499	4,879,089	53.48
2017-2018	9,412,182	5,080,954	53.98
2018-2019 (Budgeted)	9,455,164	5,103,868	53.98
2018-2019 (Unaudited)	9,550,000	5,156,094	53.99
2019-2020 (Budgeted)	9,602,220	5,176,922	53.48

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year and the adopted budgets for the 2018-2019 and 2019-2020 fiscal years of the District. The 2018-2019 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

District Facilities

Name	Grades	Capacity	Year(s) Built/Renovations
Clifton Fine Central School	Pre-K-12	950	1950, 2009

Source: District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-2015	312	2019-2020	300
2015-2016	309	2020-2021	300
2016-2017	305	2021-2022	300
2017-2018	320	2022-2023	300
2018-2019	300	2023-2024	300

Source: 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 presented in the table below.

Number of Employees	Bargaining Unit	Contract Expiration Date
38	Clifton Fine NYSUT Educational Association	June 30, 2021
32	Clifton Fine NYSUT Supportive Association	June 30, 2019 [1]

[1] Currently under negotiations.

Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years are as follows:

Fiscal Year	ERS	TRS
2014-2015	$ 181,995	$ 402,514
2015-2016	151,158	426,134
2016-2017	151,325	342,049
2017-2018	141,127	318,294
2018-2019	135,634	270,289
2019-2020 (Budgeted)	203,912	239,370

Source: District records.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District occasionally offers early retirement incentive programs for its employees.

The District offered early retirement incentives as follows:

Fiscal Year	Staff Participants	Replacement Cost	Savings
2015-2016	2	$ 154,703	$ 23,261
2016-2017	2	161,898	13,714
2017-2018	0	--	--
2018-2019	0	--	--
2019-2020 [1]	0	--	--

[1] Anticipated.

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

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

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

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

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

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

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

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

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

Other Post Employee Benefits

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

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

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

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

The District contracted with Armory Associates, an actuarial firm, to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018. The following outlines the changes to the Total OPEB Liability during the fiscal year, by source.

Balance at June 30, 2017:	$ 57,462,953
Changes for the year:	
Service cost	1,659,350
Interest	1,669,182
Changes of benefit terms	(6,911,055)
Differences between expected and actual experience	(4,075,786)
Changes in assumptions or other inputs	(11,053,303)
Benefit payments	(1,108,977)
Net Changes	(19,820,589)
Balance at June 30, 2018:	$ 37,642,364

Note: The above table is not audited. For additional information see "APPENDIX - C" attached hereto.

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

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

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

Based on the actuarial evaluation and financial data as of June 30, 2017, the following tables shows 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 as of the fiscal years ending June 30, 2016 and June 30, 2017.

Annual OPEB Cost and Net OPEB Obligation:	***2016***	***2017***
Annual required contribution (ARC)	$ 4,175,303	$ 4,442,215
Interest on net OPEB obligation	550,248	662,422
Adjustment to ARC	(867,524)	(1,071,803)
Annual OPEB cost (expense)	3,858,027	4,032,834
Contributions made	(1,053,668)	(1,096,870)
Increase in net OPEB obligation	2,804,359	2,935,964
Net OPEB obligation - beginning of year	13,756,191	16,560,550
Net OPEB obligation - end of year	$ 16,560,550	$ 19,496,514
Percentage of annual OPEB cost contributed	27.31%	27.20%
Funding Status:		
Actuarial Accrued Liability (AAL)	$ 42,010,731	$ 44,057,444
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 42,010,731	$ 44,057,444
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 4,032,834	27.2%	$ 19,496,514
2016	3,858,027	27.3	16,560,550

Note: The above tables are not audited.

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Financial Statements

The District retains independent certified public accountants. The last audited report covers the period ending June 30, 2018 and may be found attached hereto as "APPENDIX – C" to this Continuing Disclosure Statement. In addition, 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. Certain financial information of the School District may be found attached hereto as Appendices to this Continuing Disclosure Statement.

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

Beginning with the fiscal year ending June 30, 2003 the School District is required to issue its financial statements in accordance with GASB Statement No. 34. Statement No. 34 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 District is in compliance with Statement No. 34.

Unaudited Results for Fiscal Year Ending June 30, 2019:

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

Projected Revenues:	$	9,550,000	
Projected Expenditures:		9,400,000	
Projected Excess (Deficit) Revenues Over Expenditures:	$	150,000	
Total General Fund Balance at June 30, 2018:	$	5,000,195	
Total Projected General Fund Balance at June 30, 2019:	$	4,150,195	(1)

(1) Projected General Fund balance after a $1,000,000 transfer to the Capital Fund to partially fund the current capital project.

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

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on January 20, 2012. The purpose of the audit was to review the procedures for claiming transportation aid from the State Education Department for the period July 1, 2008 to June 30, 2010.

Additionally, the State Comptroller's office released an audit report of the District on March 23, 2018. The purpose of the audit was to determine whether the Board and District management developed realistic budgets and adequately managed the District's financial condition for the period July 1, 2014 through June 30, 2017.

Key Findings:
- Each year, the Board appropriated over $1 million more in fund balance than was needed to finance the budget.
- The District has retained over $425,000 in the debt service fund and has not used the fund to pay off the related debt.
- The District has not developed a multiyear financial plan to address its financial condition.

Key Recommendations:
- Develop realistic estimates of appropriations and the use of fund balance in the annual budget.
- Use money in the debt service fund to pay related debt service expenditures.
- Develop and adopt a multiyear financial plan.

Copies of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

Fiscal Year Ending In	Stress Designation	Fiscal Score
2018	No Designation	0.0%
2017	No Designation	16.7%
2016	No Designation	45.0%

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

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

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Clifton	$ 189,930,946	$ 188,730,089	$ 186,757,462	$ 186,651,511	$ 186,561,675
Fine	126,530,621	123,754,136	123,850,666	123,736,648	123,923,240
Pitcairn	448,183	4,633,949	5,370,414	5,579,803	6,186,701
Russell	395,247	398,265	398,165	397,889	397,889
Total Assessed Values	$ 317,304,997	$ 317,516,439	$ 316,376,707	$ 316,365,851	$ 317,069,505
State Equalization Rates					
Towns of:					
Clifton	92.00%	92.00%	90.00%	90.00%	90.00%
Fine	83.00%	81.00%	81.00%	81.00%	81.00%
Pitcairn	100.00%	100.00%	100.00%	100.00%	100.00%
Russell	76.50%	76.50%	70.00%	70.00%	70.00%
Total Taxable Full Valuation	$ 359,858,058	$ 363,078,842	$ 366,349,569	$ 366,300,077	$ 367,037,518

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Clifton	$ 12.15	$ 12.12	$ 12.34	$ 12.48	$ 12.70
Fine	13.47	13.77	13.71	13.87	14.11
Pitcairn	11.18	11.15	11.10	11.23	11.43
Russell	14.62	14.58	15.86	16.04	16.33

Tax Collection Procedure

School taxes are due November 1. If paid by September 30, no penalty is imposed. There is a 2% penalty if paid by the end of October. Approximately mid-November, a list of all unpaid taxes is given to the County for re-levy on County/Town tax rolls with a 3% penalty. The District is reimbursed by the County for all unpaid taxes the first week of April in each year and is thus assured of 100% collection of its annual levy,

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 4,028,198	$ 4,048,339	$ 4,068,100	$ 4,114,015	$ 4,196,296
Amount Uncollected (1)	256,680	319,581	340,878	253,298	235,339
% Uncollected	6.37%	7.89%	8.38%	6.16%	5.61%

(1) The District is reimbursed by the Counties for all unpaid taxes to assure 100% collection of its tax levy each year. See “Tax Collection Procedure” herein.

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

Real Property Tax Revenues

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

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-2014	$ 8,875,524	$ 3,718,097	41.89%
2014-2015	9,241,539	4,032,716	43.64
2015-2016	8,859,074	4,055,132	45.77
2016-2017	9,122,499	4,087,304	44.80
2017-2018	9,412,182	4,118,117	43.75
2018-2019 (Budgeted)	9,455,164	4,196,296	44.38
2018-2019 (Unaudited)	9,550,000	4,196,296	44.17
2019-2020 (Budgeted)	9,602,220	4,248,696	44.24

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year and the adopted budgets for the 2018-2019 and 2019-2020 fiscal years of the District. The 2018-2019 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

Larger Taxpayers 2018 for 2018-19 Tax Roll

Name	Type	Estimated Full Valuation
New York State Ref. Adirondack Park	State Lands	$ 99,195,736
Erie Boulevard Hydropower	Utility	19,059,330
New York State Reforestation	State Lands	16,572,927
Niagara Mohawk Power Corp. (formerly National Grid)	Utility	8,749,179
Timbervest Partners II ADK	Forestry	3,905,938
Green Mountain Adirondack	Forestry	3,769,877
The Conservation Fund	Forestry	3,289,222
State of New York	State Lands	2,743,363
Long Pond Club, Inc.	Forestry	1,661,605
Benson Mines	Manufacturing	1,292,444

The ten larger taxpayers listed above have a total estimated full valuation of $160,239,622, which represents 43.66% of the tax base of the District for the 2018-2019 fiscal year.

As of the date of this Official Statement, the District does not currently have any pending or outstanding tax certioraris that are known or believed to have a material impact on the District.

Source: District Tax Rolls

STAR – School Tax Exemption

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

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

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

Towns of:	Enhanced Exemption	Basic Exemption	Date Certified
Clifton	$ 61,830	$ 27,000	4/9/2019
Fine	55,650	24,300	4/9/2019
Pitcairn	68,700	30,000	4/9/2019
Russell	48,090	21,000	4/9/2019

$262,013 of the District's $4,196,296 school tax levy for the 2018-19 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in November, 2018.

Approximately $258,000 of the District's $4,248,696 school tax levy for the 2019-2020 fiscal year is expected to be exempted by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State by January, 2020.

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-53%; Land- 23%, Commercial-2%; Agricultural- 2%, Industrial- 1%, and Other-19%.

The estimated total annual property tax bill of a typical $50,000 market value residential property located in the District is approximately $1,080 with the reduction of STAR and $1,423 without the reduction of STAR including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, 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.

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" 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 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.

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 has the power to contract indebtedness for any District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment rolls by the equalization rates established by the State Office of Real Property Services in accordance with applicable State law.

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending:	2015	2016	2017	2018	2019
Bonds	$ 3,575,000	$ 3,260,000	$ 2,935,000	$ 2,600,000	$ 2,255,000
Bond Anticipation Notes	406,267	374,942	250,017	155,412	78,806
Other Debt	0	0	0	0	0
Total Debt Outstanding	$ 3,981,267	$ 3,634,942	$ 3,185,017	$ 2,755,412	$ 2,333,806

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 11, 2019:

Type of Indebtedness	Maturity	Amount
Bonds	2019-2025	$ 2,255,000
Bond Anticipation Notes		
Purchase of Buses	September 20, 2020	78,806 (1)
	Total Indebtedness	$ 2,333,806

(1) To be renewed at maturity with bond anticipation notes and available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as shown as of July 11, 2019:

Full Valuation of Taxable Real Property			$ 367,037,518
Debt Limit 10% thereof			36,703,752
Inclusions:			
Bonds	$ 2,255,000		
Bond Anticipation Notes	78,806		
Principal of This Issue	3,980,000		
Total Inclusions		$ 6,313,806	
Exclusions:			
State Building Aid (1)	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 6,313,806
Net Debt-Contracting Margin			$ 30,703,752
The percent of debt contracting power exhausted is			17.20%

(1) Based on preliminary 2019-2020 building aid estimates, the District anticipates State Building aid of 71.6% 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 District has not issued any revenue or tax anticipation notes in the recent past and does not anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future at this time.

Capital Project Plans

On December 20, 2017, the voters of the District approved a $4,980,000 capital project consisting of certain renovations, reconstruction, alterations and improvements to the District's existing K-12 Building and Bus Garage. The project will use $1,000,000 capital reserve money and the remaining $3,980,000 will be financed with borrowed funds. The Notes are the first borrowing against the above mentioned authorization and the proceeds of the Notes will provide $3,980,000 new monies for the above mentioned purpose.

The District annually completes a $100,000 capital outlay project. The District anticipates completing a $100,000 capital outlay project in the 2019-2020 fiscal year.

Other than as stated above, there are no other capital projects authorized or unissued by the District, nor are any contemplated.

Estimated Overlapping Indebtedness

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

Municipality	Status of Debt as of	Gross Indebtedness (1)	Exclusions (2)	Net Indebtedness	District Share	Net Overlapping Indebtedness
County of:						
St. Lawrence	12/31/2017	$ 34,030,000	$ 5,000,000	$ 29,030,000	6.45%	$ 1,872,435
Town of:						
Clifton	12/31/2017	841,926	219,926	622,000	100.00%	622,000
Fine	12/31/2017	1,123,657	888,957	234,700	96.94%	227,518
Pitcairn	12/31/2017	-	-	-	8.55%	-
Russell	12/31/2017	63,000	-	63,000	0.64%	403
					Total:	$ 2,722,356

(1) Bonds and bond anticipation notes as of close of the fiscal year. Not adjusted to include subsequent bond sales, if any.

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

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2017 for the County and Towns listed above.

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

Debt Ratios

The following table sets forth certain ratios relating to the District's net indebtedness as of July 11, 2019:

	Amount	Per Capita [(a)]	Percentage of Full Value [(b)]
Net Indebtedness [(c)] ....$	6,313,806	$ 3,060.50	1.72%
Net Indebtedness Plus Net Overlapping Indebtedness [(c)]	9,036,162	4,380.11	2.46

(a) The current estimated population of the District is 2,063. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for the 2018-2019 fiscal year is $367,037,518. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" for the Calculation of Net Indebtedness, herein.

(d) The District's applicable share of net overlapping indebtedness is estimated to be $2,722,356. (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 Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the 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 District and the holder thereof. Under current law, provision is made for contract creditors of the 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 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 District may not be enforced by levy and execution against property owned by the District.

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as counties, towns, cities, and villages, 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.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

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 crisises 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. See "THE NOTES - Nature of the Obligation" and "State Debt Moratorium Law" herein.

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

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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

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

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 District could have an impact upon the operations of the school budget, its ratings and hence the market price of the Notes. (See “TAX LEVY LIMITATION LAW” herein.)

TAX MATTERS

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

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

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

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

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

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

LITIGATION

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

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

CONTINUING DISCLOSURE

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

Historical Compliance

The District is, in all material respects, in compliance with all prior undertakings pursuant to Rule 15c2-12 for the past five years.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to Fiscal Advisors are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

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

RATING

The Notes are <u>not</u> rated. Subject to the approval of the District, 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 may result in a material event notification to be posted to EMMA which is required by the District's undertakings, the description of which is attached hereto as "APPENDIX – C".

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC has assigned its underlying rating of "A+" with a stable outlook to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Any desired explanation of the significance of such rating should be obtained from S&P Global Ratings, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds or notes.

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

The District's contact information is as follows: Ms. Colleen Ayers, Business Manager, 11 Hall Avenue, Star Lake, New York 13690. Phone: (315) 848-3333 x 155, Fax: (315) 848-3378, Email: colleen.ayers@sllboces.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 and www.fiscaladvisorsauction.com.

CLIFTON-FINE CENTRAL SCHOOL DISTRICT

Dated: July 11, 2019

JEREMY E. THOMPSON
PRESIDENT OF THE BOARD OF EDUCATION AND CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Unrestricted Cash	$ 2,398,066	$ 402,381	$ 138,154	$ 1,245,768	$ 1,520,923
Restricted Cash	1,731,492	-	-	3,355,328	3,369,633
Unrestricted Investments	834,326	1,177,737	1,050,190	-	-
Restricted Investments	-	3,525,604	3,525,604	-	-
State and Federal Aid Receivable	360,055	309,915	228,497	60,721	85,273
Due from Other Funds	218,338	130,360	215,691	178,683	195,988
Due from Fiduciary Funds	-	-	-	-	3,192
Due from Other Governments	-	-	-	161,922	134,838
Accounts Receivables	27,873	13,518	2,175	2,175	2,175
Prepaid Expenses	5,403	5,403	5,403	5,403	186,709
Inventories	-	-	-	-	-
TOTAL ASSETS	$ 5,575,553	$ 5,564,918	$ 5,165,714	$ 5,010,000	$ 5,498,731
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 14,677	$ 31,551	$ 42,741	$ 12,618	$ 146,911
Accrued Liabilities	25,885	39,020	19,725	29,254	20,946
Compensated Absences	19,949	23,849	19,771	4,588	511
Due to Other Funds	-	9,932	87,850	14,413	20,330
Due to Fiduciary Funds	-	-	-	-	161
Due to Teachers' Retirement System	402,570	427,811	342,055	307,577	270,290
Due to Employee Retirement System	52,188	48,485	40,469	41,393	38,282
Deferred Revenues	2,085	855	1,080	1,105	1,105
TOTAL LIABILITIES	517,354	581,503	553,691	410,948	498,536
FUND EQUITY					
Nonspendable	$ -	$ 5,403	$ 5,403	$ 5,403	$ 186,709
Reserved	3,736,391	3,525,604	3,529,600	3,355,328	3,369,633
Assigned	920,069	1,029,769	1,393,126	1,139,717	1,099,038
Unassigned	401,739	425,639	(316,106)	98,604	344,815
TOTAL FUND EQUITY	5,058,199	4,986,415	4,612,023	4,599,052	5,000,195
TOTAL LIABILITIES & FUND EQUITY	$ 5,575,553	$ 5,567,918	$ 5,165,714	$ 5,010,000	$ 5,498,731

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:	2013	2014	2015	2016	2017
REVENUES					
Real Property Taxes	$ 3,675,003	$ 3,718,097	$ 3,730,801	$ 3,765,641	$ 3,793,730
Other Tax Items	298,014	298,023	301,915	289,491	293,574
Charges for Services	15,583	27,829	13,638	497	415
Use of Money & Property	16,036	11,152	8,537	14,435	30,438
Sale of Property and Compensation for Loss	546	7,900	3,112	7,743	6,361
Miscellaneous	153,205	122,501	128,646	114,613	118,892
Revenues from State Sources	4,516,070	4,690,022	5,054,891	4,666,654	4,879,089
Medicaid Assistance	-	-	-	-	-
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	$ 8,674,457	$ 8,875,524	$ 9,241,540	$ 8,859,074	$ 9,122,499
Other Sources:					
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	8,674,457	8,875,524	9,241,540	8,859,074	9,122,499
EXPENDITURES					
General Support	$ 1,305,675	$ 1,327,595	$ 1,307,987	$ 1,293,588	$ 1,171,243
Instruction	3,039,280	3,293,371	3,260,447	3,597,225	3,533,198
Pupil Transportation	411,325	513,904	472,843	499,542	702,813
Community Services	-	-	1,329	-	-
Employee Benefits	2,565,364	2,828,102	2,956,578	2,766,654	2,950,352
Debt Service	1,060,276	1,089,364	1,112,228	580,516	569,295
Total Expenditures	$ 8,381,920	$ 9,052,336	$ 9,111,412	$ 8,737,525	$ 8,926,901
Other Uses:					
Interfund Transfers	15,000	111,084	201,907	495,941	208,569
Total Expenditures and Other Uses	8,396,920	9,163,420	9,313,319	9,233,466	9,135,470
Excess (Deficit) Revenues Over Expenditures	277,537	(287,896)	(71,779)	(374,392)	(12,971)
FUND BALANCE					
Fund Balance - Beginning of Year	5,068,558	5,346,095	5,058,199	4,986,415	4,612,023
Prior Period Adjustments (net)	-	-	(5)		-
Fund Balance - End of Year	$ 5,346,095	$ 5,058,199	$ 4,986,415	$ 4,612,023	$ 4,599,052

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes	$ 4,114,015	$ 4,114,015	$ 3,850,230	$ 4,196,296	$ 4,248,696
Other Tax Items	7,000	7,000	267,887	4,500	5,000
Charges for Services	500	500	-	-	-
Use of Money & Property	15,000	15,000	74,389	15,000	36,000
Sale of Property and Compensation for Loss	-	-	1,574	500	602
Miscellaneous	144,000	144,000	137,148	135,000	135,000
Revenues from State Sources	4,977,748	4,977,478	5,080,954	5,103,868	5,176,922
Medicaid Assistance	-	-	-	-	-
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	$ 9,258,263	$ 9,257,993	$ 9,412,182	$ 9,455,164	$ 9,602,220
Other Sources:					
Appropriated Reserves	-	-	-	-	246,500
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	9,258,263	9,257,993	9,412,182	9,455,164	9,848,720
EXPENDITURES					
General Support	$ 1,464,713	$ 1,447,801	$ 1,118,869	$ 1,413,091	$ 1,409,032
Instruction	4,179,827	4,148,349	3,602,231	4,091,700	4,026,564
Pupil Transportation	752,846	747,326	677,722	747,105	792,850
Community Services	-	210	210	-	-
Employee Benefits	3,261,224	3,314,924	2,964,095	3,617,802	3,755,279
Debt Service	540,500	540,500	540,499	521,479	502,995
Total Expenditures	$ 10,199,110	$ 10,199,110	$ 8,903,626	$ 10,391,177	$ 10,486,720
Other Uses:					
Interfund Transfers	452,000	452,000	107,413	427,000	452,000
Total Expenditures and Other Uses	10,651,110	10,651,110	9,011,039	10,818,177	10,938,720
Excess (Deficit) Revenues Over Expenditures	(1,392,847)	(1,393,117)	401,143	(1,363,013)	(1,090,000)
FUND BALANCE					
Fund Balance - Beginning of Year	1,392,847	1,393,117	4,599,052	1,363,013	1,090,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 5,000,195	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2020	$ 355,000	$ 86,637.50	$ 441,637.50
2021	375,000	73,062.50	448,062.50
2022	385,000	58,750.00	443,750.00
2023	400,000	44,037.50	444,037.50
2024	415,000	28,587.50	443,587.50
2025	325,000	12,512.50	337,512.50
TOTALS	$ 2,255,000	$ 303,587.50	$ 2,558,587.50

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2010 Reconstruction			2012 Reconstruction		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 305,000	$ 76,600.00	$ 381,600.00	$ 50,000	$ 10,037.50	$ 60,037.50
2021	320,000	64,400.00	384,400.00	55,000	8,662.50	63,662.50
2022	330,000	51,600.00	381,600.00	55,000	7,150.00	62,150.00
2023	345,000	38,400.00	383,400.00	55,000	5,637.50	60,637.50
2024	355,000	24,600.00	379,600.00	60,000	3,987.50	63,987.50
2025	260,000	10,400.00	270,400.00	65,000	2,112.50	67,112.50
TOTALS	$ 1,915,000	$ 266,000.00	$2,181,000.00	$ 340,000	$ 37,587.50	$ 377,587.50

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

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

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

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

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

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

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

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

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

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

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

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

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

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

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

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 Notes within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District’s obligations under its material event notices undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

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

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

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

CLIFTON-FINE CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDING JUNE 30, 2018

Such Audited 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.

Table of Contents

CLIFTON-FINE CENTRAL SCHOOL DISTRICT

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

BOARD OF EDUCATION
CLIFTON-FINE CENTRAL SCHOOL DISTRICT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clifton-Fine Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clifton-Fine Central 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

www.bcpllc.com

Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-16), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 72), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 73-74), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 75), and Schedule of District's Contributions - NYSLRS Pension Plan (page 76) 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 Clifton-Fine Central School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 77-83) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 77-83) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 77-83) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the Clifton-Fine Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clifton-Fine Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clifton-Fine Central School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
October 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

INTRODUCTION

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

ORGANIZATIONAL PURPOSE

Located in southern St. Lawrence County and within the boundaries of the Adirondack Park, the Clifton-Fine Central School district is valued for its natural scenic beauty and recreational opportunities. The community provides many opportunities for business development to support the seasonal and recreational population in addition to serving the needs of the year-round residents. The surrounding cities provide shopping and cultural amenities.

Clifton-fine Central School District serves students from the communities of Star Lake, Cranberry Lake, Wanakena, Newton Falls, Fine and Oswegatchie. An instructional staff of 38 and support staff of 31, administered by a staff of 2.5, serve 303 elementary and secondary students. A budget of $10,638,805 was approved by the voters for the 2017-18 school year. The school is centrally located in Star Lake, and serves as a center for many community activities.

FINANCIAL HIGHLIGHTS

Total net position increased by $8.5 million almost solely due to a change in the way the Other Post Employment Benefits (OPEB) are now being calculated.

The School District had $ 1.6 million in expenses related to governmental activities. General revenues (primarily taxes and state aid) of $10.1 million were $8.5 million more than general expenditures due mainly to the way the OPEB is being calculated as well as an increase of approximately $400K in revenue from State Sources.
Enrollment numbers for kindergarten through grade 12 were steady from June 2017 to June 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds.
- The governmental fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

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

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

Table A-1	Major Features of the District-Wide and Fnnd Financial Statement		
		Fund Financial Statements	
➡	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short term and long-tenn	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

District-Wide Statements - Continued

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

- Over time, increases or decreases in the school District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional non-financial factors such as changes in the School District's property tax base and the condition of the school buildings and other facilities.

In the district-wide financial statements, the School District's activities are shown as Governmental activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities. The Food Service Operation is also shown here.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as the school lunch fund) or to show that it is properly using certain revenues (such as Federal Grants).

The district has two kinds of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FUND FINANCIAL STATEMENTS - Continued

- Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $31,818,669 at the close of the most recent fiscal year. This represents a $8,525,302 increase in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2018, the OPEB liability was $37,642,364 compared to $57,462,953 reported at the close of the prior fiscal year, as restated. The restatement of the OPEB liability was due to the District implementing a change in accounting principle to comply with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 17 to the financial statements for additional information relating to the restatement. The overall increase in net position in the current fiscal year is largely due to two factors. First, is the net change in the OPEB liability recognized in the current year which resulted in a positive change of $19,820,589. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of $12,081,331. The net impact of these two items, of $7,739,258, ultimately resulted in the current year increase. See Note 13 for additional OPEB information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

An additional portion of the School District's Net Position represents resources subject to external restrictions on how they may be used. The remaining unrestricted (deficit) in net position is the result of the OPEB liability.

Figure A-2 (Statement of Net Position)

	Governmental Activities		Total Dollar Change
	2018	2017 (Restated)	2018-2017
Assets			
Current and Other Assets	$ 6,004,955	$ 5,437,475	$ 567,480
Capital Assets, Net of Accumulated Depreciation	13,001,624	13,010,641	(9,017)
Net Pension Asset - Proportionate Share	121,159	-	121,159
Total Assets	$ 19,127,738	$ 18,448,116	$ 679,622
Deferred Outflows of Resources			
Pensions	$ 1,930,780	$ 1,927,381	$ 3,399
Other Postemployment Benefits	1,062,852	1,108,977	(46,125)
Total Deferred Outflows of Resources	$ 2,993,632	$ 3,036,358	$ (42,726)
Liabilities			
Current Liabilities	$ 719,580	$ 656,537	$ 63,043
Long-Term Liabilities	40,491,898	61,044,029	(20,552,131)
Total Liabilities	$ 41,211,478	$ 61,700,566	$ (20,489,088)
Deferred Inflows of Resources			
Pensions	$ 693,355	$ 127,879	$ 565,476
Other Postemployment Benefits	12,035,206	-	12,035,206
Total Deferred Inflows of Resources	$ 12,728,561	$ 127,879	$ 12,600,682
Net Position			
Net Investment in Capital Assets, Net of Related Debt	$ 10,401,624	$ 10,075,641	$ 325,983
Restricted for Debt Services	432,409	429,700	2,709
Restricted for Other Reserves	3,369,633	3,355,328	14,305
Unrestricted	(46,022,335)	(54,204,640)	8,182,305
Total Net Position	$ (31,818,669)	$ (40,343,971)	$ 8,525,302

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Figure A-3 below shows the change in Net Assets for the fiscal years ending June 30, 2018 and 2017 and Figure A-4 and Figure A-5 are graphs depicting this information.

Figure A-3

	Governmental Activities		*	Total Dollar Change	Total Percentage
	2018	2017		2018-2017	2018-2017
Revenues					
Program Revenues					
Charges for Services	$ 41,987	$ 53,512		$ (11,525)	-21.54%
Operating Grants & Contributions	450,376	504,781		(54,405)	-10.78%
General Revenues					
Property Taxes	4,118,117	4,087,304		30,813	0.75%
Use of Money and Property	79,560	32,379		47,181	145.71%
Sale of Property and Comp. for Loss	1,574	6,361		(4,787)	-75.26%
State Sources	5,289,570	4,879,089		410,481	8.41%
Other Revenues	137,168	118,918		18,250	15.35%
Total Revenues	$ 10,118,352	$ 9,682,344		$ 436,008	4.50%
Expenses					
General Support	$ 651,424	$ 2,067,379		$ (1,415,955)	-68.49%
Instruction	611,475	8,670,901		(8,059,426)	-92.95%
Community Service	210	-		210	100.00%
Pupil Transportation	114,283	1,263,286		(1,149,003)	-90.95%
Debt Service - Interest	109,605	122,292		(12,687)	-10.37%
School Lunch Program	106,054	228,405		(122,351)	-53.57%
Total Expenses	1,593,050	12,352,263		(10,759,213)	-87.10%
Total Change in Net Position	$ 8,525,302	$ (2,669,919)		$11,195,221	-419.31%

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

Net position of the School District's governmental activities increased by $8,525,302. The School District is in a stable operating position. The increase is largely due to the changes to the assumptions and other inputs to the OPEB actuarial valuation including a change in the discount rate and changes in future retiree contribution rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Figure A-4

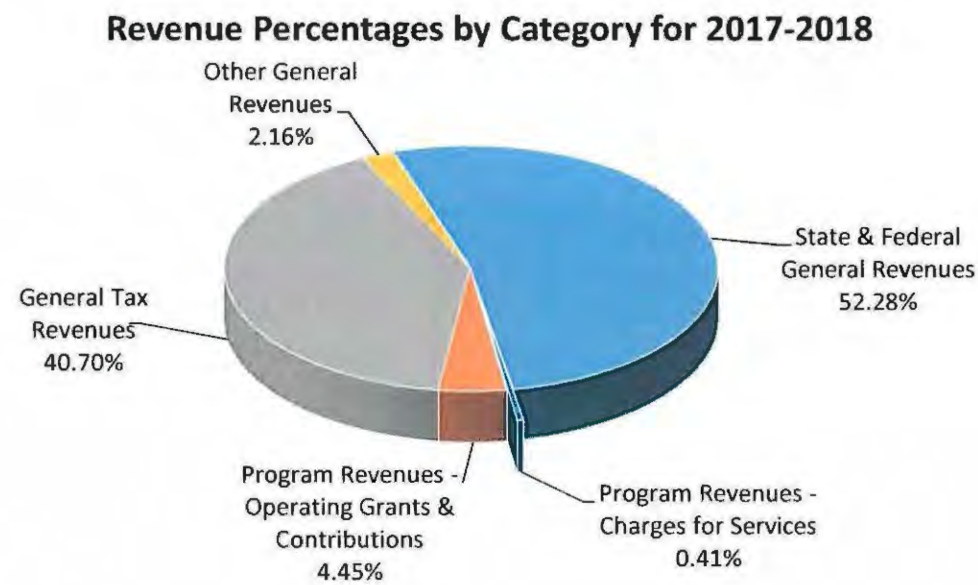
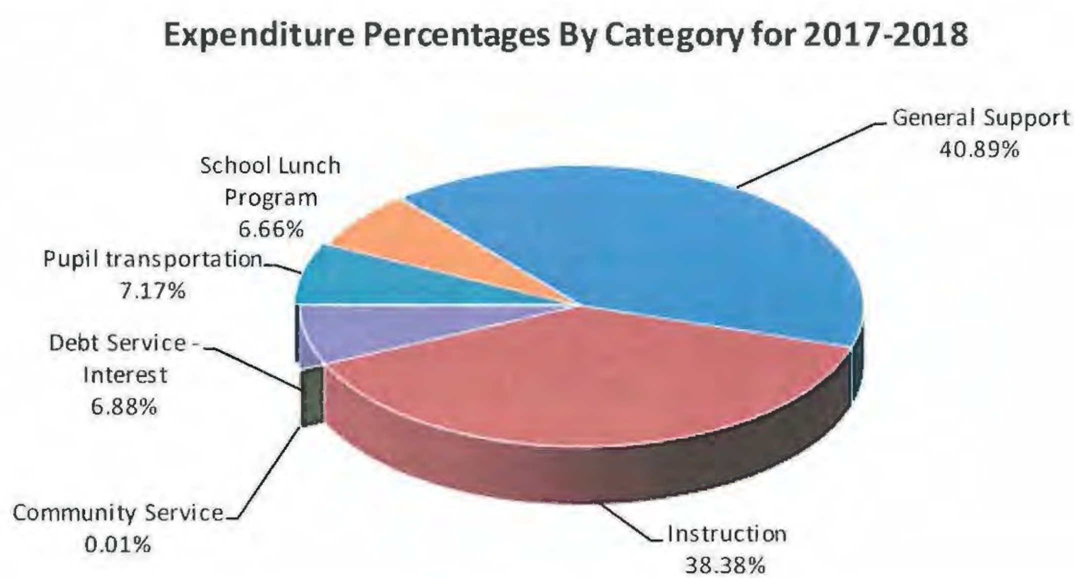


Figure A-5



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The School District is heavily dependent on both state and federal aid for its funding. State and Federal General Revenues combined account for 51% of total revenues. General Tax Revenues account for 42% of revenues received for the year. These two sources account for 93% of the total revenues received in the 2017-2018 school year.

Instruction, transportation and general support account for 88% of the total expenses of the School District, which is comparative to prior year percentages.

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

General Fund Budgetary Highlights

The School District's budget of $10,638,805 for 2017-2018 was approved by referendum on May 15, 2017. The School District's total budget increase for 2017-2018 was $153,142 or a 1.5% increase from the prior year budget. The district had $12,305 of carryover encumbrances from 2016-2017.

Revenues

Revenues from Local, State and Federal Sources amounted to $154,189, over final budget figures. The difference between actual and budgeted amounts is due mainly to increases in interest and earnings as well as revenue received in the current year from the rental of buses.

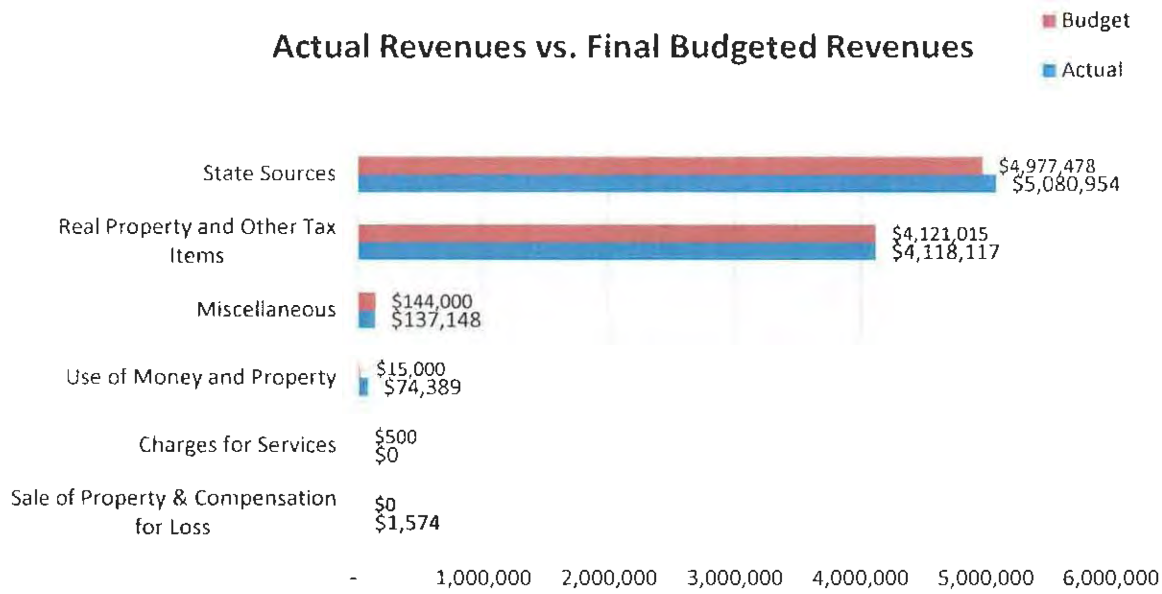
As the district plans for future revenues, all districts in NYS were subject to the property tax cap legislation for the first time while developing the 2012-2013 budget. This limits the amount of revenue that can be raised via property taxes without a super majority and while the impact varies by district, it will be a factor for all districts going forward.

The graph below shows actual 2017-2018 revenues compared to budgeted amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues



Expenditures

As the following graph portrays, expenditures were below the 2017-2018 final budget amounts by $1,640,071. Total year-end encumbrances at June 30, 2018 are $0.

The under-spent budgeted appropriations of $1,640,071 netted with the revenue variances of ($109,786) are used to fund the Assigned Fund Balance for the subsequent year. The 2018-2019 Assigned Appropriated Fund Balance is $1,099,038. The Assigned Fund Balance is 10.15% of the 2018-2019 school budget.

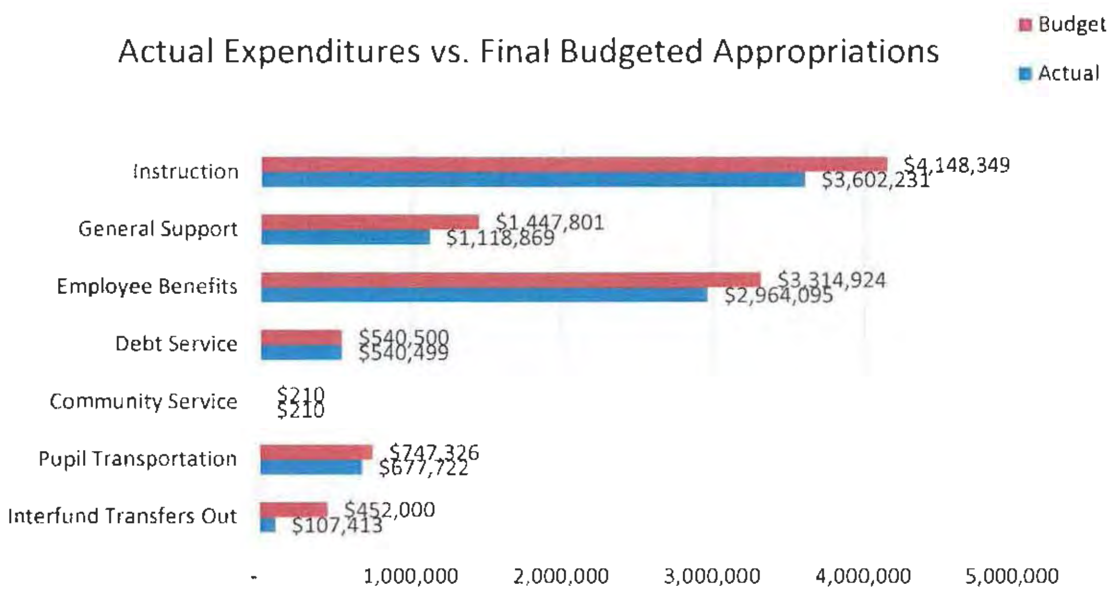
The Assigned Fund Balance needs to be maintained to help the School District with cash flow at the end of the school year. In order to decrease assigned fund balance, without raising the tax levy in the subsequent year, other revenue sources would need to increase.

The following graph compares actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenditures



CAPITAL ASSET AND DEBT ADMINISTRATION

The Board of Education established a fixed asset policy to capitalize fixed assets of at least $5,000. Capital Assets net of depreciation totaled $13,001,624 at June 30, 2018.

	Balance June 30, 2017	Additions	Retirements / Reclassifications	Balance June 30, 2018
Land	$ 9,200	$ -	$ -	$ 9,200
Construction in Progress	-	208,615	-	208,615
Building & Improvements	24,046,075	93,913	-	24,139,988
Furniture & Equipment	2,048,270	208,040	213,290	2,043,020
Less:				
Accumulated Depreciation	13,092,904	519,585	213,290	13,399,199
Total Net Position	$ 13,010,641	$ (9,017)	$ -	$ 13,001,624

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Short-Term Debt

The School district had a BAN outstanding at June 30, 2018 in the amount of $155,412. The BAN matures on September 1, 2018 and carries an interest rate of 1.70%

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 2010 to 2012. The last date that bonds will be paid is February 15, 2025.

The School District had the following breakdown of debt June 30, 2018 and 2017:

Category	Fiscal Year 2018	Fiscal Year 2017	Total Change
General Obligation Bonds	$ 2,600,000	$ 2,935,000	$ (335,000)
Compensated Absences	149,913	158,837	(8,924)
Other Post Employment Benefits Payable	37,642,364	57,462,953	(19,820,589)
Net Pension Liability - Proportionate Share	99,621	487,239	(387,618)
Total	$ 40,491,898	$ 61,044,029	$ (20,552,131)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Clifton-Fine Central School District is currently financially stable. As the preceding information shows, the School District relies heavily on its property taxpayers, state and federal aid, and grants.

The District's enrollment has remained fairly constant the last couple of years with some small fluctuations.

Clifton-Fine Central School District is anticipating the continuation of increases in salaries, benefits and BOCES services in the upcoming years. These three items constitute much of our budget. We have experienced some savings in utilities with the investment in our past capital project.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Colleen Ayers
Clifton-Fine Central School District
11 Hall Ave.
Star Lake, NY 13690

STATEMENT OF NET POSITION- GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS		
Cash and Cash Equivalents		
Unrestricted	$	1,521,110
Restricted		3,802,042
Receivahles		
State and Federal Aid		345,522
Other Receivables		1,156
Due from Fiduciary Funds		3,192
Due from Other Governments		134,838
Accounts Receivable		2,175
Prepaid Expenses		186,709
Inventories		8,211
Net Pension Asset-Proportionate Share		121,159
Capital Assets, Net		13,001,624
TOTAL ASSETS	$	19,127,738
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	$	1,930,780
Other Postemployment Benefits		1,062,852
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	2,993,632
LIABILITIES		
Payables		
Accounts Payable	$	225,039
Accrued Liabilities		22,477
Compensated Absences		511
Due to Fiduciary Funds		792
Accrued Interest on Bonds Payable		5,672
Due to Teachers' Retirement System		270,290
Due to Employees' Retirement System		38,282
Notes Payable		
Bond Anticipation		155,412
Unearned Credits		
Unearned Revenues - Other		1,105
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable		345,000
Due and Payable After One Year		
Bonds Payable		2,255,000
Other Postemployment Benefits Payable		37,642,364
Compensated Absences Payable		149,913
Net Pension Liability-Proportionate Share		99,621
TOTAL LIABILITIES	$	41,211,478
DEFERRED INFLOWS OF RESOURCES		
Pensions	$	693,355
Other Postemployment Benefits		12,035,206
TOTAL DEFERRED INFLOWS OF RESOURCES	$	12,728,561
NET POSITION		
Net Investment in Capital Assets	$	10,401,624
Restricted		3,802,042
Unrestricted (Deficit)		(46,022,335)
TOTAL NET POSITION	$	(31,818,669)

See notes to audited basic financial statements.

STATEMENT OF ACTIVITES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
General Support	$ 651,424	$ -	$ -	$ (651,424)
Instruction	611,475	-	311,947	(299,528)
Community Services	210	-	-	(210)
Pupil Transportation	114,283	-	-	(114,283)
Debt Service-Interest	109,605	-	-	(109,605)
School Food Service Program	106,054	41,987	138,429	74,362
Total Functions and Programs	$ 1,593,050	$ 41,987	$ 450,376	(1,100,687)
GENERAL REVENUES				
Real Property Taxes				3,850,230
Other Tax Items				267,887
Use of Money and Property				79,560
Sale of Property and Compensation for Loss				1,574
Miscellaneous				137,168
State Sources				5,289,570
Total General Revenues				9,625,989
Change in Net Position				8,525,302
Net Position - Beginning of Year, As Restated				(40,343,971)
Net Position - End of Year				$ (31,818,669)

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Project -Smart Schools
ASSETS		
Cash and Cash Equivalents		
Unrestricted Cash	$ 1,520,923	$ -
Restricted Cash	3,369,633	-
Receivables		
State and Federal Aid Receivable	85,273	208,616
Other Receivables	-	-
Due from Other Funds	195,988	-
Due from Fiduciary Funds	3,192	-
Due from Other Governments	134,838	-
Accounts Receivable	2,175	-
Prepaid Expenses	186,709	-
Inventories	-	-
Total Assets	$ 5,498,731	$ 208,616
LIABILITIES		
Payables		
Accounts Payable	$ 146,911	$ 73,582
Accrued Liabilities	20,946	-
Compensated Absences	511	-
Due to Other Funds	20,330	135,033
Due to Fiduciary Funds	161	-
Due to Teachers' Retirement System	270,290	-
Due to Employees' Retirement System	38,282	-
Notes Payable		
Bond Anticipation Note	-	-
Unearned Credits		
Unearned Revenues - Other	1,105	-
Total Liabilities	498,536	208,615
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenues	-	208,616
Total Deferred Inflows of Resources	-	208,616
FUND BALANCES		
Nonspendable	186,709	-
Restricted	3,369,633	-
Assigned	1,099,038	-
Unassigned	344,815	(208,615)
Total Fund Balance	5,000,195	(208,615)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,498,731	$ 208,616

Capital Project -Buses	Non-Major Funds	Total Governmental Funds
$ 5	$ 182	$ 1,521,110
-	432,409	3,802,042
-	51,633	345,522
-	1,156	1,156
-	21,657	217,645
-	-	3,192
-	-	134,838
-	-	2,175
-	-	186,709
-	8,211	8,211
$ 5	$ 515,248	$ 6,222,600
$ -	$ 4,546	$ 225,039
-	1,531	22,477
-	-	511
24,485	37,797	217,645
-	631	792
-	-	270,290
-	-	38,282
155,412	-	155,412
-	-	1,105
179,897	44,505	931,553
-	-	208,616
-	-	208,616
-	8,211	194,920
-	432,409	3,802,042
-	30,123	1,129,161
(179,892)	-	(43,692)
(179,892)	470,743	5,082,431
$ 5	$ 515,248	$ 6,222,600

See notes to audited basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

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

June 30, 2018

Total Fund Balance - Governmental Funds			$ 5,082,431
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current finaneial resources or obligations and are not reported in the fund statements.			
	Net Pension Asset - Proportionate Share - TRS		121,159
	Net Pension Liability - Proportionate Share - ERS		(99,621)
Deferred inflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the fund statements consist of:			
	Pensions	$ (693,355)	
	Other Postemployment Benefits	(12,035,206)	(12,728,561)
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the fund statements consist of:			
	Pensions	$ 1,930,780	
	Other Postemployment Benefits	1,062,852	2,993,632
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. There, deferred inflows of resources are not reported on the Statement of Net Position.			208,616
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:			
	The Cost of Capital Assets is	$ 26,400,823	
	Accumulated Depreciation is	(13,399,199)	13,001,624
Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:			
	Bonds Payable	$ 2,600,000	
	Accrued Interest on Bonds Payable	5,672	
	Compensated Absences Payable	149,913	
	Other Postemployment Benefits Payable	37,642,364	(40,397,949)
Total Net Position - Governmental Activities			$ (31,818,669)

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

Year Ended June 30, 2018

	General	Capital Project -Smart Schools
REVENUES		
Real Property Taxes	$ 3,850,230	$ -
Other Tax Items	267,887	-
Use of Money and Property	74,389	-
Sale of Property and Compensation for Loss	1,574	-
Miscellaneous	137,148	-
State Sources	5,080,954	-
Federal Sources	-	-
Sales - School Food Service	-	-
Total Revenues	9,412,182	-
EXPENDITURES		
General Support	1,118,869	-
Instruction	3,602,231	-
Pupil Transportation	677,722	-
Community Services	210	-
Employee Benefits	2,964,095	-
Debt Service:		
Principal	429,605	-
Interest	110,894	-
Food Service Program-Cost of Sales	-	-
Capital Outlay	-	208,615
Total Expenditures	8,903,626	208,615
Deficiency of Revenues Over Expenditures	508,556	(208,615)
OTHER FINANCING SOURCES AND (USES)		
BAN Redeemed from Appropriations	-	-
Operating Transfers In (Out)	(107,413)	-
TOTAL OTHER FINANCING SOURCES AND (USES)	(107,413)	-
Net Change in Fund Balance	401,143	(208,615)
Fund Balances - Beginning	4,599,052	-
Fund Balances - End of Year	$ 5,000,195	$ (208,615)

Capital Project -Buses	Non-Major Funds	Total Governmental Funds
$ -	$ -	$ 3,850,230
-	-	267,887
-	5,171	79,560
-	-	1,574
-	20	137,168
-	87,041	5,167,995
-	363,335	363,335
-	41,987	41,987
-	497,554	9,909,736
-	75,178	1,194,047
-	302,048	3,904,279
-	-	677,722
-	-	210
-	60,523	3,024,618
-	-	429,605
-	-	110,894
-	65,906	65,906
-	93,913	302,528
-	597,568	9,709,809
-	(100,014)	199,927
94,605	-	94,605
-	107,413	-
94,605	107,413	94,605
94,605	7,399	294,532
(274,497)	463,344	4,787,899
$ (179,892)	$ 470,743	$ 5,082,431

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

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds			$ 294,532
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets, with an initial individual cost of more than $5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of related losses on disposal of capital assets.			
	Capital Outlays	$ 510,568	
	Depreciation Expense	(519,585)	(9,017)
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			335,000
Governmental funds report revenues only when they are considered "available", whereas, the Statement of Activities reports revenues when earned. Long-term revenue differences relating to Smart School Bond Funding is reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.			208,616
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds.			1,289

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

Year Ended June 30, 2018

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		8,924
On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the government funds only the actual expenditures are recorded for postemployment benefits.		7,739,258
(Increase) decrease in proportionate share of net pension asset (liability) and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.		
Teachers' Retirement System	$ (50,858)	
Employees' Retirement System	(2,442)	(53,300)
Change in Net Position of Governmental Activities		$ 8,525,302

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Unrestricted Cash	$ 138,124	$ 59,510
Restricted Cash	72,000	-
Investment Held By Trustee- Restricted	24,315	-
Due from other funds	-	792
Total Assets	$ 234,439	$ 60,302
LIABILITIES		
Accrued Expenses	$ -	$ 559
Due to Governmental Funds	-	3,192
Extra Classroom Activity Balances	-	53,723
Other Liabilities	-	2,828
Total Liabilities	-	$ 60,302
NET POSITION		
Reserved for Scholarships	$ 234,439	

See notes to audited basic financial statements.

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

	Private Purpose Trusts
ADDITIONS	
Gifts and Contributions	$ 40,281
Interest Earnings	3,972
Total Additions	44,253
DEDUCTIONS	
Scholarships and Awards	23,899
Change in Net Position	20,354
Net Position - Beginning of Year	214,085
Net Position - End of Year	$ 234,439

See notes to audited basic financial statements.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clifton-Fine Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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. Significant accounting principles and policies used by the District are described below:

Reporting Entity

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

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

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

Extra Classroom Activity Funds

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is a component district in the St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs 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.

During the year, the District was billed $1,422,709 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $349,477. This represents state aid distributions of $298,475 and 2017 fund balance returned to schools of $51,002.

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

Basis of Presentation

District-Wide Statements

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

Fund Statements

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

The District reports the following governmental funds:

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

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

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

> Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
>
> Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or Extra Classroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting – Continued

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 15, 2017. Taxes are collected during the period September 1, 2017 to November 1, 2017.

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

Restricted Resources

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

Interfund Transactions

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions - Continued

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Estimates

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

Cash and Cash Equivalents

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

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

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.

Investments are stated at fair value.

Accounts Receivable

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

Prepaid items were recorded in the General Fund in the amount of $186,709 which represents initial costs relating to the capital project and initial mitigating costs relating to the District's emergency capital project. Once NYSED approves the projects, the expenses will be transferred to the Capital Project Fund.

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

Other Assets

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

Capital Assets

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

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

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

	Capitalization Threshold		Depreciation Method	Estimated Useful Life
Building & Building Improvements	$	5,000	Straight Line	20 - 50 Years
Site Improvements	$	5,000	Straight Line	20 Years
Furniture and Equipment	$	5,000	Straight Line	5 - 20 Years

The District does not possess any infrastructure.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

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

Unearned Revenue

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

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

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

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

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

Other Benefits

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

Nonspendable– Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of $8,211 and prepaid expenses recorded in General Fund of $186,709.

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

Employee Benefit Accrued Liability

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Retirement Contributions

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

Unemployment Insurance

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

Workers' Compensation

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriation of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

Debt Service

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Capital Reserve

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

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

General Fund		
Employee Benefit Accrued Liability	$	169,552
Retirement Contributions		1,387,345
Unemployment Insurance		440,970
Workers' Compensation		371,766
Capital Reserve		1,000,000
Debt Service Fund		
Debt Service		432,409
Total Restricted Funds	$	3,802,042

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Unassigned Fund Balance

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

Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determine next and then assigned. The Purchasing Agent has authority to assign fund balance as it relates to encumbrances. The Board of Education will be responsible for the assignment of fund balance as it relates to appropriated fund balance. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards

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

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

Future Changes in Accounting Standards

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards - Continued

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

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

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

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

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

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

4. Pension Differences

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 17 for the financial statement impact of the implementation of the statement.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year ended June 30, 2018.

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Encumbrances

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

Other

The Capital Projects fund - buses had a deficit fund balance of $179,892. This will be funded when the District either obtains permanent financing or from BANS redeemed from appropriations. The Capital Projects fund – Smart Schools had a deficit fund balance of $208,615. This will be funded when the District obtains funding from the Smart Schools Bonds Act.

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

Cash

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

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name.	$ 382,397

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $3,802,042 within the governmental funds and $72,000 in the fiduciary funds.

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

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

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2018, the School District held $4,890,556 in the General Fund, and $432,409 in the Debt Service Fund through the cooperative classified as unrestricted and restricted cash.

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of New York Class.

NOTE 6 – RECEIVABLES

Receivables at year-end are as follows:

Description	General	Capital Project -Smart Schools	Non Major	Total
State and Federal	$ 85,273	$ 208,616	$ 51,633	$ 345,522
Due From Other Governments	134,838	-	-	134,838
Accounts Receivable	2,175	-	-	2,175
Other	-	-	1,156	1,156
Total	$ 222,286	$ 208,616	$ 52,789	$ 483,691

District management has deemed the amounts to be fully collectible.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	$ 9,200	$ -	$ -	$ 9,200
Construction in Progress	-	208,615	-	208,615
Total Nondepreciable Assets	9,200	208,615	-	217,815
Capital Assets That Are Depreciated:				
Building Improvements	466,302	-	-	466,302
Buildings	23,579,773	93,913	-	23,673,686
Furniture, Equipment, and Vehicles	2,048,270	208,040	213,290	2,043,020
Total Depreciated Assets	26,094,345	301,953	213,290	26,183,008
Less - Accumulated Depreciation:				
Land Improvements	461,962	1,893	-	463,855
Buildings and Improvements	11,288,550	363,827	-	11,652,377
Furniture, Equipment, and Vehicles	1,342,392	153,865	213,290	1,282,967
Total Accumulated Depreciation	13,092,904	519,585	213,290	13,399,199
Total Depreciated Assets, Net	13,001,441	(217,632)	-	12,783,809
Capital Assets, Net	$ 13,010,641	$ (9,017)	$ -	$ 13,001,624

Depreciation expense was charged to governmental functions as follows:

General Support	$ 122,293
Pupil Transportation	125,091
Instruction	264,311
School Food Service Program	7,890
Total	$ 519,585

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – SHORT-TERM DEBT

Details related to the short-term debt activity for the fiscal year ended June 30, 2018, are as follows:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	9/22/2017	1.49%	$ 250,017	$ -	$ 250,017	$ -
BAN	9/21/2018	1.70%	-	155,412	-	155,412
Total			$ 250,017	$ 155,412	$ 250,017	$ 155,412

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

Interest Paid	$ 3,725
Less: Interest Accrued in the Prior Year	(2,908)
Plus: Interest Accrued in the Current Year	2,062
Total Expense	$ 2,879

NOTE 9– LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	$ 2,935,000	$ -	$ 335,000	$ 2,600,000	$ 345,000
Total Bonds & Notes Payable	2,935,000	-	335,000	2,600,000	345,000
Other Liabilities					
Compensated Absences Payable	158,837	-	8,924	149,913	-
Other Postemployment Benefits Liability, as Restated	57,462,953	-	19,820,589	37,642,364	-
Net Pension Liability - Proportionate Share	487,239	-	387,618	99,621	-
Total Other Liabilities	58,109,029	-	20,217,131	37,891,898	-
Total Governmental Activities	$ 61,044,029	$ -	$ 20,552,131	$ 40,491,898	$ 345,000

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – LONG-TERM DEBT OBLIGATIONS - Continued

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bond	06/22/10	06/15/25	3.00 - 4.10%	$ 2,210,000
Serial Bond	02/15/12	02/15/25	2.9039%	390,000
				$ 2,600,000

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

	Principal	Interest	Total
2019	$ 345,000	$ 97,231	$ 442,231
2020	355,000	86,638	441,638
2021	375,000	73,062	448,062
2022	385,000	58,750	443,750
2023	400,000	44,038	444,038
Thereafter	740,000	41,100	781,100
Total	$ 2,600,000	$ 400,819	$ 3,000,819

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

Interest Paid	$ 107,169
Less: Interest Accrued in the Prior Year	(4,053)
Plus: Interest Accrued in the Current Year	3,610
Total Expense	$ 106,726

NOTE 10 – PENSION PLANS

General Information

The District participates in the New York State Employees' Retirement System (NYSERS) and The New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

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

Employees' Retirement System (ERS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

TRS Benefits Provided

Benefits

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

Tier 1

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

Tier 2

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

Tier 3

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

Tier 4

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

Tier 5

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

Tier 6

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Service Retirements

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

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

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

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

Vested Benefits

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

Disability Retirement

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

Death Benefits

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

NOTE 10 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Prior Service

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

Tier Reinstatement

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

Permanent Cost-of-Living Adjustment (COLA)

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

ERS Benefits Provided

Benefits

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

Tier 1 and 2

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

ERS Benefits Provided- Continued

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

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

Tier 3, 4, and 5

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

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

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

NOTE 10 – PENSION PLANS - Continued

ERS Benefits Provided- Continued

Tier 6

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

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

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

Vested Benefits

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

Disability Retirement Benefits

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

Ordinary Death Benefits

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2017 and received an overall discount of $1,198).

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

	NYSTRS	NYSERS
2017-2018	$ 296,041	$ 141,129
2016-2017	322,239	151,325
2015-2016	405,476	151,158

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

Funding Policies - Continued

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

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

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

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
District's Proportionate Share of the Net Pension Asset (Liability)	$ (99,621)	$ 121,159
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0030867%	0.015940%
Change in Proportion (%) Since the Prior Measurement Date	0.0003037%	-0.000191%

For the year ended June 30, 2018, the District recognized pension expense of $2,442 for ERS and $50,858 for TRS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	$ 35,532	$ 99,684	$ 29,362	$ 47,238
Changes of Assumptions	66,057	1,232,815	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	144,692	-	285,607	285,364
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	53,223	10,366	13,364	32,420
District's Contributions Subsequent to the Measurement Date	38,282	250,129	-	-
Total	$ 337,786	$ 1,592,994	$ 328,333	$ 365,022

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

	ERS	TRS
2019	$ 41,348	$ 24,436
2020	27,998	322,564
2021	(65,156)	229,808
2022	(33,019)	54,342
2023	-	229,129
Thereafter	-	117,564

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

Actuarial Assumptions - Continued

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
Asset Type		
Domestic Equity	4.55%	5.90%
International Equity	6.35%	7.40%
Private Equity	7.50%	
Real Estate	5.55%	4.30%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation-Indexed Bonds	1.25%	
Alternative Investments		9.00%
Domestic Fixed Income Securities		1.60%
Global Fixed Income Securities		1.30%
Short-Term		0.60%
Mortgages		2.80%
High-Yield Fixed Income Securities		3.90%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (753,760)	$ (99,621)	$ 453,754

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (2,087,209)	$ 121,159	$ 1,970,557

Pension Plan Fiduciary Net Position

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $38,282.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $270,290.

NOTE 11 – INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2018 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	$ 199,180	$ 20,491	$ -	$ 107,413
Special Aid	-	38,428	-	-
School Food Service	19,196	-	13,500	-
Debt Service	2,461	-	-	-
Capital Projects	-	159,518	93,913	-
Total Government Activities	220,837	218,437	107,413	107,413
Fiduciary Agency Fund	792	3,192	-	-
Total	$ 221,629	$ 221,629	$ 107,413	$ 107,413

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The District typically transfers from the General Fund to the School Food Service Fund to subsidize a portion of the expenses. The General Fund advances funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. The District also transfers from the General Fund to the Capital Projects Fund to fund an approved mini project.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – FUND BALANCE EQUITY

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

Fund Balances	General	School Food Service	Debt Service	Capital Project Smart Schools	Capital Project Buses	Total Governmental
Nonspendable						
Supplies Inventory	$ -	$ 8,211	$ -	$ -	$ -	$ 8,211
Prepaid Expenses	186,709	-	-	-	-	186,709
Restricted						
Debt Service	-	-	432,409	-	-	432,409
Employee Benefit Accrued Liability	169,552	-	-	-	-	169,552
Retirement Contributions	1,387,345	-	-	-	-	1,387,345
Unemployment Insurance	440,970	-	-	-	-	440,970
Workers Compensation	371,766	-	-	-	-	371,766
Capital Reserve	1,000,000	-	-	-	-	1,000,000
Assigned						
Debt Service	-	-	2,461	-	-	2,461
Designated for Next Fiscal Year	1,099,038	-	-	-	-	1,099,038
School Food Service Fund	-	27,662	-	-	-	27,662
Unassigned						
General Fund	344,815	-	-	-	-	344,815
Capital Fund	-	-	-	(208,615)	(179,892)	(388,507)
Total Governmental Fund Balance	$5,000,195	$ 35,873	$434,870	$(208,615)	$(179,892)	$ 5,082,431

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

General Information about the OPEB Plan - Continued

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

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

Inactive employees or beneficiaries currently receiving benefit payments	69
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	61
Total Covered Employees	130

The District participates in the St. Lawrence-Lewis Health Insurance Consortium (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

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

Non- Teachers – All current and future retirees receive 100% paid coverage by District.

Teachers – All current and future retirees contribute a percentage based on their date of retirement as follows:

Teachers Contributions	
Retirement Date	Contribution %
< 7/1/2012	0%
7/1/2012 - 6/30/2019	10%
7/1/2019 - 6/30/2020	11%
7/1/2020 +	12%

Surviving Spouse – Surviving spouses may continue participating in the consortium's plan and contribute the same amount as retirees.

Medicare Part B Reimbursement – Clifton-Fine Central School District reimburses the full Medicare Part B amount for all retirees and spouses. Surviving spouses do not receive reimbursement.

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2018 which indicates that the total liability for other postemployment benefits is $37,642,364 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2017.

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

Actuarial Methods and Assumptions	
Measurement Date	07/01/17
Rate of Compensation Increase	3.00%
Inflation Rate	2.20%
Discount Rate	3.60%
Assumed Prescription Drug Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.92%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.84%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2088
Additional Information	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	4.89
Amortization Period Status	Open
Method used to determine Actuarial Value of Assets	N/A

The discount rate was based on the Bond Buyer Weekly 20 - Bond 60 Index as of July 1, 2017.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability

Balance at June 30, 2017, as Restated	$ 57,462,953
Changes for the Year	
Service Cost	1,659,350
Interest	1,669,182
Changes of Benefit Terms	(6,911,055)
Differences Between Expected and Actual Experience	(4,075,786)
Changes of Assumptions or Other Inputs	(11,053,303)
Benefit Payments	(1,108,977)
Net Changes	(19,820,589)
Balance at June 30, 2018	$ 37,642,364

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent on July 1, 2016 to 3.60 percent on July 1, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.60 percent) or 1 percentage point higher (4.60 percent) than the current discount rate:

	1% Decrease 2.60%	Discount Rate 3.60%	1% Increase 4.60%
Total OPEB Liability	$ 44,675,423	$ 37,642,364	$ 32,085,691

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability - Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.84 percent) or 1 percentage point higher (4.84 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.84%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.84%)	1% Increase (Trend Plus 1% Decreasing to 4.84%)
Total OPEB Liability	$ 31,672,422	$ 37,642,364	$ 45,394,822

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

For the year ended June 30, 2018, the District recognized negative OPEB expense of $7,739,258. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,242,292
Changes of Assumptions or Other Inputs	-	8,792,914
Employer Contributions Subsequent to the measurement date	1,062,852	-
	$ 1,062,852	$ 12,035,206

NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

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

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,		
2019	$	3,093,883
2020		3,093,883
2021		3,093,883
2022		2,753,557
	$	12,035,206

NOTE 14 – RISK MANAGEMENT - Continued

General

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

Pooled Non-Risk-Retained

The District participates in the St. Lawrence – Lewis County School District's Healthcare Plan (Plan), a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to $1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the $1,000,000 limit, and the District has essentially transferred all related risk to the pool.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 – RISK MANAGEMENT

Pooled Non-Risk-Retained - Continued

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.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

The District participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District share of the liability for unbilled and open claims is $0.

NOTE 15 – CONTINGENCIES AND COMMITMENTS

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 17 – RESTATEMENT OF NET POSITION

Due to the District's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior-period adjustment of $36,857,462 must be made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of July 1, 2017. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the District's beginning of year net position due to the GASB 75 implementation:

Net Position Beginning of Year, as Previously Stated	$ (3,486,509)
GASB Statement No. 75 Adjustments	
Net Increase in Total OPEB Liability - GASB 75 Implementation	(37,966,439)
Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to Measurement Date	1,108,977
Net Position Beginning of Year, as Restated	$ (40,343,971)

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 12, 2018 which is the date of the issuance of the financial statements.

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

Year Ended June 30, 2018

Total OPEB Liability		
Service Cost	$	1,659,350
Interest		1,669,182
Changes of Benefit Terms		(6,911,055)
Difference between Expected and Actual Experience		(4,075,786)
Changes in Assumptions or Other Inputs		(11,053,303)
Benefit Payments		(1,108,977)
Net Change in Total OPEB Liability		(19,820,589)
Total OPEB Liability - Beginning, as Restated		57,462,953
Total OPEB Liability - Ending	$	37,642,364
Covered Payroll	$	3,167,322
Total OPEB Liability as a Percentage of Covered Payroll		1188.46%

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

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

Year Ended June 30, 2018

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	$ 4,114,015	$ 4,114,015
Other Tax Items	7,000	7,000
Charges for Services	500	500
Use of Money and Property	15,000	15,000
Sale of Property and Compensation for Loss	-	-
Miscellaneous	144,000	144,000
Total Local Sources	4,280,515	4,280,515
State Sources	4,977,478	4,977,478
Total Revenues	9,257,993	9,257,993
Other Financing Sources		
Appropriated Reserves	263,975	263,975
Total Revenue and Other Financing Sources	9,521,968	9,521,968
EXPENDITURES		
General Support		
Board of Education	9,850	12,841
Central Administration	362,457	363,206
Finance	23,175	24,097
Staff	39,920	39,920
Central Services	809,061	794,942
Special Items	220,250	212,795
Total General Support	1,464,713	1,447,801
Instruction		
Instruction, Administration and Improvement	216,692	219,741
Teaching-Regular School	2,161,660	2,155,253
Programs for Children with Handicapping Conditions	724,742	699,739
Occupational Education	214,000	214,000
Instruction-Special Schools	14,725	14,725
Instructional Media	357,131	354,581
Pupil Services	490,877	490,310
Total Instruction	4,179,827	4,148,349
Pupil Transportation	752,846	747,326
Community Service	-	210
Employee Benefits	3,261,224	3,314,924
Debt Service	540,500	540,500
Total Expenditures	10,199,110	10,199,110
OTHER FINANCING USES		
Transfers to Other Funds	452,000	452,000
Total Expenditures and Other Financing Uses	10,651,110	10,651,110
Net Change in Fund Balance	(1,129,142)	(1,129,142)
Fund Balance - Beginning	4,599,052	4,599,052
Fund Balance - Ending	$ 3,469,910	$ 3,469,910

Actual	Final Budget Variance With Actual And Encumbrances
$ 3,850,230	$ (263,785)
267,887	260,887
-	(500)
74,389	59,389
1,574	1,574
137,148	(6,852)
4,331,228	50,713
5,080,954	103,476
9,412,182	154,189
-	(263,975)
9,412,182	$ (109,786)

	Year-End Encumbrances	Final Budget Variance With Actual and Encumbrances
7,512	$ -	$ 5,329
337,401	-	25,805
23,255	-	842
30,764	-	9,156
529,415	-	265,527
190,522	-	22,273
1,118,869	-	328,932
204,572	-	15,169
2,046,095	-	109,158
504,274	-	195,465
150,778	-	63,222
12,799	-	1,926
302,483	-	52,098
381,230	-	109,080
3,602,231	-	546,118
677,722	-	69,604
210	-	-
2,964,095	-	350,829
540,499	-	1
8,903,626	-	1,295,484
107,413	-	344,587
9,011,039	$ -	$ 1,640,071
401,143		
4,599,052		
$ 5,000,195		

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

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

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

Ended June 30, 2018

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
District's Proportion of the Net Pension Asset (Liability)	0.015940%	0.015749%	0.015398%	0.158340%
District's Proportionate Share of the Net Pension Asset (Liability)	$ 121,159	$ (168,673)	$ (1,599,397)	$ (1,763,802)
District's Covered Payroll	$ 2,513,748	$ 2,340,158	$ 2,322,560	$ 2,339,266
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	-4.82%	7.21%	68.35%	75.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)				
District's Proportion of the Net Pension Asset (Liability)	0.0030867%	0.0033904%	0.2982000%	0.002903%
District's Proportionate Share of the Net Pension Asset (Liability)	$ (99,621)	$ (318,566)	$ (478,621)	$ (98,083)
District's Covered Payroll	$ 926,812	$ 972,044	$ 858,107	$ 889,190
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	10.75%	32.77%	55.78%	16.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	98.24%	94.70%	90.68%	97.95%

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

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS-NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS
Ended June 30, 2018

	2018	2017	2016	2015
Teachers' Retirement System (TRS)				
Contractually Required Contribution	$ 296,041	$ 322,239	$ 405,476	$ 380,075
Contributions in Relation to the Contractually Required Contribution	296,041	322,239	405,476	380,075
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,513,748	$ 2,340,158	$ 2,322,560	$ 2,339,266
Contributions as a Percentage of Covered Payroll	11.78%	13.77%	17.46%	16.25%
Employees' Retirement System (ERS)				
Contractually Required Contribution	$ 141,129	$ 151,325	$ 151,158	$ 181,994
Contributions in Relation to the Contractually Required Contribution	141,129	151,325	151,158	181,994
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 926,812	$ 972,044	$ 858,107	$ 889.190
Contributions as a Percentage of Covered Payroll	15.23%	15.57%	17.62%	20.47%

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

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

June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 10,638,805
Add: Prior Year's Encumbrances	12,305
Original Budget	10,651,110
Budget Revisions	-
Final Budget	$ 10,651,110

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2018-2019 Voter Approved Expenditure Budget		$ 10,818,177
Maximum Allowed (4% of 2018-19 Budget of $10,818,177)		$ 432,727
General Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance		
Assigned Fund Balance	$ 1,099,038	
Unassigned Fund Balance	344,815	
Total Unrestricted Fund Balance	1,443,853	
Less: Appropriated Fund Balance	1,099,038	
Encumbrances Included in Assigned Fund Balance	-	
Total Adjustments	1,099,038	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 344,815
Actual Percentage		3.19%

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2018

	Expenditures						Methods of Financing					
Project Title	Original Budget	Revised Budget	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	Fund Balance (Deficit) June 30, 2018
2018 Mini Project-Lockers	$ 100,000	$ 93,913	$ -	$ 93,913	$ 93,913	$ -	$ -	$ -	$ -	$ 93,913	$ 93,913	$ -
Buses	274,497	274,497	274,497	-	274,497	-	94,605	-	-	-	94,605	(179,892)
Smart Schools	424,032	424,032	-	208,615	208,615	215,417	-	-	-	-	-	(208,615)
Totals	$ 798,529	$ 792,442	$ 274,497	$ 302,528	$ 577,025	$ 215,417	$ 94,605	$ -	$ -	$ 93,913	$ 188,518	$ (388,507)

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

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

	School Food Service	Special Aid
ASSETS		
Cash and Cash Equivalents		
Unrestricted Cash	$ -	$ 182
Restricted Cash	-	-
Receivables		
State and Federal Aid Receivable	9,496	42,137
Other Receivables	1,156	-
Due from Other Funds	19,196	-
Due from Fiduciary Funds	-	-
Inventories	8,211	-
TOTAL ASSETS	$ 38,059	$ 42,319
LIABILITIES		
Payables		
Accounts Payable	$ 655	$ 3,891
Accrued Liabilities	1,531	-
Due to Other Funds	-	37,797
Due to Fiduciary Funds	-	631
Total Liabilities	2,186	42,319
FUND BALANCES		
Nonspendable	8,211	-
Restricted	-	-
Assigned	27,662	-
Total Fund Balance	35,873	-
TOTAL LIABILITIES AND FUND BALANCES	$ 38,059	$ 42,319

Capital- Mini Projects	Debt Service	Total Non- Major Funds
$ -	$ -	$ 182
-	432,409	432,409
-	-	51,633
-	-	1,156
-	2,461	21,657
-	-	-
-	-	8,211
$ -	$ 434,870	$ 515,248
$ -	$ -	$ 4,546
-	-	1,531
-	-	37,797
-	-	631
-	-	44,505
-	-	8,211
-	432,409	432,409
-	2,461	30,123
-	434,870	470,743
$ -	$ 434,870	$ 515,248

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

	School Food Service	Special Aid
REVENUES		
Use of Money and Property	$ 1	$ -
Miscellaneous	20	-
State Sources	4,261	82,780
Federal Sources	134,168	229,167
Sales (School Food Service)	41,987	-
Total Revenues	180,437	311,947
EXPENDITURES		
General Support	75,178	-
Instruction	-	302,048
Employee Benefits	50,624	9,899
Food Service Program-Cost of Sales	65,906	-
Capital Outlay	-	-
Total Expenditures	191,708	311,947
Excess (Deficiency) of Revenues Over Expenditures	(11,271)	-
OTHER FINANCING SOURCES		
Transfers In	13,500	-
TOTAL OTHER FINANCING SOURCES	13,500	-
Net Change in Fund Balance	2,229	-
Fund Balances - Beginning	33,644	-
Fund Balances - End of Year	$ 35,873	$ -

Capital- Mini Projects	Debt Service	Total Non- Major Funds
$ -	$ 5,170	$ 5,171
-	-	20
-	-	87,041
-	-	363,335
-	-	41,987
-	5,170	497,554
-	-	75,178
-	-	302,048
-	-	60,523
-	-	65,906
93,913	-	93,913
93,913	-	597,568
(93,913)	5,170	(100,014)
93,913	-	107,413
93,913	-	107,413
-	5,170	7,399
-	429,700	463,344
$ -	$ 434,870	$ 470,743

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2018

Capital Assets, Net		$ 13,001,624
Deduct:		
Short-Term Portion of Bonds Payable	$ 345,000	
Long-Term Portion of Bonds Payable	2,255,000	2,600,000
Net Investment in Capital Assets		$ 10,401,624

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS CONSULTANTS

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
CLIFTON-FINE 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 all aggregate remaining fund information of the Clifton-Fine Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clifton-Fine Central School District's basic financial statements and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clifton-Fine 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 Clifton-Fine Central School District's internal control. Accordingly, we do not express an opinion of the effectiveness of Clifton-Fine Central School District's internal control.

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

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

www.bcpllc.com

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

Purpose of this Report

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

Bowers & Company

Watertown, New York
October 12, 2018

EXTRA CLASSROOM ACTIVITY FUNDS

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

BOARD OF EDUCATION
CLIFTON-FINE CENTRAL SCHOOL DISTRICT

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

www.bcpllc.com

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

Opinion

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

Basis of Accounting

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

Bowers & Company

Watertown, New York
October 12, 2018

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2018

	Cash Balance 7/1/2017	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2018
Class of:				
2016	$ 417	$ -	$ 417	$ -
2017	403		403	-
2018	13,351	16,797	30,070	78
2019	8,145	8,904	3,987	13,062
2020	1,850	8,780	5,496	5,134
2021	-	4,863	3,106	1,757
Yearbook	221	5,829	1,306	4,744
Student Council	2,454	9,679	7,163	4,970
Musical Club	4,847	10,912	10,197	5,562
Drama Club	352	164	251	265
Middle School Student Council	1,023	2,012	2,240	795
TATF	1,684	101	-	1,785
Spanish Club	8,676	12,272	5,398	15,550
National Honor Society	1,953	-	1,953	-
Sales Tax Payable	172	1,378	1,529	21
Total	$ 45,548	$ 81,691	$ 73,516	$ 53,723

See note to financial statement.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

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

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

Board of Education
Clifton-Fine Central School District
Star Lake, NY

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

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding the matters:

Condition: Monitor Reserve Funds

The District has funded various reserve funds pursuant to Board action and laws allowing the establishment of reserve funds. It appears that certain reserves are in excess of the amount that would be considered reasonable based on anticipated needs. The reserves which appear to be excessive are the Unemployment Reserve, and the Workers Compensation Reserve.

Recommendation:

We recommend that District officials continue to monitor these reserves and update their reserve plan for utilization in the future.

Management's Response:

The District has recently developed a reserve plan and will continue to monitor the reserves that are in excess. It is the District's intent to pay any workman's comp claims in 2018-19 from the workman's comp reserve. Any unemployment claims in 2018-19 will be paid from the Unemployment Reserve.

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

Condition: Lacking Documentation Supporting Extra Classroom Activity

During our test of receipts and disbursements in the Extra Classroom Activity funds, we noted the following:

- We tested 10 disbursements and noted the following: 8 out of 10 disbursement transactions lacked evidence of receiving.
- We tested 10 receipts and noted the following: 4 out of 10 receipt transactions lacked a completed deposit form attached.
- Profit and Loss Statements are not being prepared as required for fundraising activities.

Recommendation

NYSED Pamphlet, "The Safeguarding, Accounting, and Auditing of Extra Classroom Activity Funds", should be reviewed with faculty and students involved with the student clubs, specifically the statement of profit and loss form to ensure the form is completed accurately, which includes documentation to support receipts and disbursements relating to each fundraising activity. We also recommend the District develop a receiving documentation policy for goods purchased with the Extra Classroom activity funds.

Management's Response:

The District will be meeting with extracurricular advisors, club Treasurers, and the lead person for the Extra Classroom activity accounting to ensure they have the proper training and understand what is expected for handling of funds and all required and necessary documentation. It will be monitored periodically throughout the year. In addition, the District will put in place a policy for receiving merchandise purchased through Extra Classroom activity funds.

Condition: New Regulatory Requirements for Federal Awards (Uniform Guidance)

On December 26, 2014 the Office of Management and Budget's (OMB's) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, more commonly referred to as the "Uniform Guidance," became effective for all Federal awards, whether the funds are provided directly from a Federal agency or passed-through another state or local agency.

The District currently has effective procedural controls in place over the management of Federal Award Programs. Key changes under the Uniform Guidance expand the rules regarding internal controls over Federal Awards to require that they be documented in writing in the District's policies and that management should evaluate and document the results of ongoing monitoring to identify internal control issues. The written internal controls should specifically address each of the 12 compliance requirements of the Federal Award Programs.

Recommendation

The District should document in writing internal controls over federal award programs. We understand that it will take time and resources for the District to become fully compliant with the regulatory requirements and we recommend that the District continue to make the procedural changes deemed necessary in order to fully adopt the applicable provisions under the Uniform Guidance.

Management's Response:

The District will review the Uniform Guidance for Federal Award programs and document internal controls and address the 12 compliance requirements.

We wish to thank the staff of Clifton-Fine Central School District for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Bowers & Company

Watertown, New York
October 12, 2018

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 12, 2018

To the President and Members
of the Board of Education
Clifton-Fine Central School District

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

Clifton-Fine Central School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board ("GASB"). As described in Note 3 to the financial statements, Clifton-Fine Central School District changed accounting policies related to reporting for postemployment benefits by adopting Statement of Governmental Accounting Standards No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the cumulative effect of the accounting change as of July 1, 2017 is to report additional other postemployment benefit liability in the amount of $37,966,439 and additional deferred outflows of resources in the amount of $1,108,977 on the governmental activities Statement of Net Position with a corresponding reduction of $36,857,462 in net position on the Statement of Activities and Changes in Net Position.

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

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

www.bcpllc.com

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Matters</u>

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

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

Restriction on Use

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

Very truly yours,

Bowers & Company

Fixed Assets

Adjusting Journal Entries JE # 1	08-01.2		
To adjust beginning balances to actual			
K102.00 BUILDINGS		637,630.00	
K103.00 IMPROVEMENTS - OTHER THAN BLDG		1.00	
K104.00 EQUIPMENT		20,383.00	
K117.00 ACCUM DEPR - OTHER CAPITAL ASSETS		465,594.00	
K158.00 OTHER		86,444.00	
K112.00 ACCUM DEPR - BUILDINGS			776,196.00
K113.00 ACCUM DEPR - IMPROVEMENTS			3,846.00
K114.00 ACCUM DEPR - EQUIPMENT			430,010.00
Total		**1,210,052.00**	**1,210,052.00**

Adjusting Journal Entries JE # 2	08-01.2		
Equipment and vehicle additions			
K104.00 EQUIPMENT		208,040.00	
K158.00 OTHER			208,040.00
Total		**208,040.00**	**208,040.00**

Adjusting Journal Entries JE # 3	08-01.2		
To record deletions not recorded in PY			
K114.00 ACCUM DEPR - EQUIPMENT		213,290.00	
K104.00 EQUIPMENT			213,290.00
Total		**213,290.00**	**213,290.00**

Adjusting Journal Entries JE # 4	08-01.2		
Additions from capital project completed: lockers			
K102.00 BUILDINGS		93,912.00	
K158.00 OTHER			93,912.00
Total		**93,912.00**	**93,912.00**

Adjusting Journal Entries JE # 5	08-01.2		
To record depreciation for CY			
K158.00 OTHER		519,585.00	
K112.00 ACCUM DEPR - BUILDINGS			363,827.00
K113.00 ACCUM DEPR - IMPROVEMENTS			1,893.00
K114.00 ACCUM DEPR - EQUIPMENT			153,865.00
Total		**519,585.00**	**519,585.00**

Adjusting Journal Entries JE # 6	RP 03.02		
to record proportionate share of net pesnion asset(TRS)			
K108.00 Proportionate Share of Pension Assets		121,159.00	
K158.00 OTHER			121,159.00
Total		**121,159.00**	**121,159.00**

Adjusting Journal Entries JE # 7		08-01.2		
To record work in progress				
K100	construction in progress		208,615.00	
K158.00	OTHER			208,615.00
Total			**208,615.00**	**208,615.00**

Adjusting Journal Entries JE # 8		RP 01.01		
To record GASB ERS and TRS def outflows				
K496.00	Def Outflows Pension		1,930,780.00	
K158.00	OTHER			1,930,780.00
Total			**1,930,780.00**	**1,930,780.00**

Adjusting Journal Entries JE # 9		RP 01.01		
To record def outflow GASB 75				
K496.1	Def Outflows OPEB		1,062,852.00	
K497	OPEB Expense			1,062,852.00
Total			**1,062,852.00**	**1,062,852.00**

Long Term Liabilities

Adjusting Journal Entries JE # 1		W683		
t oRecord OPEB liability				
125	Budgets for Capital Indebtedness		37,642,364.00	
689.00	OPEB Liability			37,642,364.00
Total			**37,642,364.00**	**37,642,364.00**

Adjusting Journal Entries JE # 2		RP 03.04		
to record GASB 68 pension liability				
125	Budgets for Capital Indebtedness		99,621.00	
638.00	Proportionate share of net pension Liability			99,621.00
Total			**99,621.00**	**99,621.00**

Adjusting Journal Entries JE # 3		RP 01.01		
To record def inflows OPEB				
125	Budgets for Capital Indebtedness		12,035,206.00	
697.1	Def Inflows OPEB			12,035,206.00
Total			**12,035,206.00**	**12,035,206.00**

Adjusting Journal Entries JE # 4		RP 01.01		
To record def pension inflows				
125	Budgets for Capital Indebtedness		693,355.00	
697	Def Inflows Pension			693,355.00
Total			**693,355.00**	**693,355.00**
	Total Adjusting Journal Entries		**50,473,097.00**	**50,473,097.00**

General Fund

Adjusting Journal Entries JE # 1			
TO move unapproved repair reserve to approved capital			
00A882	Reserve for Repairs	1,024,362.00	
00A878	Capital Reserve		1,000,000.00
00A917	Unassigned Fund Balance		24,362.00
Total		**1,024,362.00**	**1,024,362.00**

Capital Fund

Adjusting Journal Entries JE # 1	05-Y-03		
to reclassify smart school bond revenue as deferred			
0H3297	State Smart Schools	208,616.00	
00H691	Deferred Inflows		208,616.00
Total		**208,616.00**	**208,616.00**

FORM OF OPINION OF BOND COUNSEL

August 1, 2019

Clifton-Fine Central School District
District Offices
11 Hall Avenue
Star Lake, New York 13690

Re: Clifton-Fine Central School District, St. Lawrence County, New York
$3,980,000 Bond Anticipation Notes, 2019 CUSIP No.: 187000

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $3,980,000 Bond Anticipation Notes, 2019 (the "Notes") of Clifton-Fine Central School District, County of St. Lawrence, State of New York (the "District"). The Notes are dated August 1, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before August 1, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. The President of the Board of Education of the District, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the District delivered concurrently with the delivery of the Notes, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

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

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

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

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

Very truly yours,

Trespasz & Marquardt, LLP