

**PRELIMINARY OFFICIAL STATEMENT**

**NEW/RENEWAL ISSUE**

**BOND ANTICIPATION NOTES**

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

*The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*



**\$11,498,077**  
**SIDNEY CENTRAL SCHOOL DISTRICT**  
**DELAWARE, CHENANGO AND OTSEGO COUNTIES, NEW YORK**  
**GENERAL OBLIGATIONS**  
**\$11,498,077 Bond Anticipation Notes, 2018**  
(the "Notes")

**Dated: July 27, 2018**

**Due: July 10, 2019**

The Notes are general obligations of the Sidney Central School District, Delaware, Chenango and Otsego Counties, 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 "NATURE OF 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 book-entry-only notes or registered in the name of the purchaser in certificated form. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, except for one necessary odd denomination, which is or includes \$8,077, as may be determined by such successful bidder(s).

Alternatively, if the Notes are issued as registered book-entry-only 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, except for one necessary odd denomination, which is or includes \$8,077, 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 Orrick, Herrington & Sutcliffe, LLP, 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), or about July 27, 2018.

**ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via [www.FiscalAdvisorsAuction.com](http://www.FiscalAdvisorsAuction.com), on July 17, 2018 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 6, 2018

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.

# **SIDNEY CENTRAL SCHOOL DISTRICT DELAWARE, CHENANGO, AND OTSEGO COUNTY, NEW YORK**

## **SCHOOL DISTRICT OFFICIALS**

### **2018-2019 BOARD OF EDUCATION**

KERRI GREEN

President



MARISA OREZZOLI

Vice President

AMANDA FINCH

THOMAS HOSKINS

DANIEL OWEN

NANCY PARSONS

KJERSTI VANSLYKE-BRIGGS

\* \* \* \* \*

### **ADMINISTRATION**

WILLIAM H. CHRISTENSEN, Ed.D

Superintendent of Schools

MICHAEL S. PAVLOVICH, JR.

Administrator for Business and Support Services

CONSTANCE UMBRA

School District Clerk



FERRARA FIORENZA P.C

FERRARA FIORENZA P.C.

School District Attorney



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor



ORRICK, HERRINGTON & SUTCLIFFE LLP

Bond Counsel

No person has been authorized by Sidney 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 Sidney Central School District.

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**PREPARED WITH THE ASSISTANCE OF**



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**OFFICIAL STATEMENT**  
**of the**  
**SIDNEY CENTRAL SCHOOL DISTRICT**  
**DELAWARE, CHENANGO AND OTSEGO COUNTIES, NEW YORK**  
**Relating To**  
**\$11,498,077 Bond Anticipation Notes, 2018**

This Official Statement, which includes the cover page, has been prepared by the Sidney Central School District, Delaware, Chenango and Otsego Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$11,498,077 principal amount of Bond Anticipation Notes, 2018 (the "Notes").

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

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

**NATURE OF OBLIGATION**

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"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

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

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

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean. . . So, too, although the

Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted. . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

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

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

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

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

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

## **THE NOTES**

### **Description of the Notes**

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

The Notes are dated July 27, 2018 and mature, without option of prior redemption, on July 10, 2019. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in denominations of \$5,000 each or multiples thereof, except for one necessary odd denomination, which is or includes \$8,077, in either (i) registered in the name of the purchaser, in certificated form 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) as registered book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

## **No Optional Redemption**

The Notes are not subject to redemption prior to maturity.

## **Purpose of Issue**

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution of the School District dated June 16, 2015 authorizing the issuance of \$13,186,000 serial bonds of said School District to pay part of the cost of the renovation of School District buildings. The District has appropriated \$1,000,000 capital reserve monies to fund the balance of project costs.

The proceeds of the Notes together with \$815,000 available funds of the District will partially redeem and renew \$11,250,000 bond anticipation notes maturing July 27, 2018 and provide \$1,063,077 new monies for aforementioned purpose.

## **BOOK-ENTRY-ONLY SYSTEM**

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://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 OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; 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, except for one necessary odd denomination, which is or includes \$8,077. 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 south central sector of New York State, approximately 40 miles east of the City of Binghamton and 20 miles north of the Pennsylvania border, and serves portions of Delaware, Chenango and Otsego Counties. Major highways of service to the District include U.S. Route #88 and State highways #7 and #8. The District is also served by the Delaware & Hudson Railroad (freight) and Greyhound Bus Lines.

The District is residential, agricultural and industrial in nature. Major industrial employers in the Village of Sidney include Mead Westvaco Corp., which makes desk calendars and other paper products at this location and employs 630 and Amphenol Corporation which employs 1,069 people and makes electrical components.

Police protection is provided by the Sidney Police Department, assisted by the Delaware County Sheriff's Department and the New York State Police. A volunteer fire department provides fire protection and ambulance service.

Source: District officials.

### Population

The current estimated population of the District is 7,297. (Source: 2016 U.S. Census Bureau estimate)

### Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>
Towns of:						
Franklin	\$ 12,119	\$ 17,477	\$ 27,283	\$ 30,679	\$ 44,519	\$ 62,917
Guilford	10,946	15,536	26,593	30,213	40,801	59,514
Masonville	10,646	14,933	27,009	29,659	36,406	64,688
Sidney	11,619	16,335	22,512	29,114	35,351	54,444
Unadilla	11,519	16,908	24,993	30,327	40,556	63,474
Walton	11,242	16,779	21,298	29,632	41,464	48,633
Counties of:						
Chenango	11,830	16,427	23,805	30,388	39,711	58,675
Delaware	11,180	17,357	24,753	28,554	39,695	58,699
Otsego	11,657	16,806	24,989	30,466	41,110	62,717
State of:						
New York	16,501	23,389	34,212	39,741	51,691	74,036

Note: 2013-2017 American Community Survey estimates are not available as of the date of this Official Statement.

Source: 2000 U.S. Census Bureau, 2006-2010 and 2012-2016 5-Year American Community Survey estimates.



## Larger Employers

The larger employers located within the area in and around the District include:

<u>Employer</u>	<u>Type</u>	<u>Number of Employees</u>
Amphenol Corporation	Electrical Components	1,089
ACCO Brands USA LLC	Desk calendars	630
Sidney Central School	Education	220
Sidney Federal Credit Union	Finance	160
Huff Ice Cream	Food	101
UNALAM	Laminated Products	48
Village of Sidney	Municipal	41

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

	<u>Annual Average</u>						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Chenango County	8.7%	8.6%	7.3%	6.2%	5.4%	5.1%	5.4%
Delaware County	8.7%	8.7%	7.9%	6.6%	6.0%	5.5%	5.6%
Otsego County	7.7%	7.9%	6.8%	5.7%	5.4%	4.9%	5.1%
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%

	<u>2018 Monthly Figures</u>						
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Chenango County	7.1%	7.2%	6.7%	5.6%	4.3%	N/A	N/A
Delaware County	7.3%	7.4%	6.7%	5.9%	4.5%	N/A	N/A
Otsego County	6.6%	6.6%	5.9%	5.1%	4.0%	N/A	N/A
New York State	5.1%	5.1%	4.8%	4.3%	3.7%	N/A	N/A

Note: Unemployment rates for June and July 2018 are unavailable as of the date of this Official Statement.

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

## Form of School Government

The Board of Education which is the policy-making body of the School District consists of seven members with overlapping five-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 positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

## 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 2016-17 fiscal year was voted on by the qualified voters on May 17, 2016 with a vote of 154 in favor and 70 against. The District’s budget for 2016-17 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. There was no tax change, which was below the Tax Cap limit of 1.70%.

The budget for the 2017-18 fiscal year was adopted by the qualified voters on May 16, 2017 by a vote of 148 to 31. The District’s adopted budget for 2017-18 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy decrease of 1.37%, which was below the District tax levy limit of 1.11%.

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 130 Yes and 31 No. The District’s adopted budget for 2018-19 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy of 0%, which is within the District tax levy limit of 2.67%.

#### **Investment Policy**

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

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

General Municipal Law and the School District policy does not permit the School District to enter into reverse repurchase agreements or make other derivative type investments.

## State Aid

The District receives financial assistance from the State. In its adopted budget for the 2018-2019 fiscal year, approximately 74.15% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

### *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 2017-2018 Budget allowed, and the State’s Enacted 2018-19 Budget allows, 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 2018-2019 preliminary building aid ratios, the District expects to receive State building aid of approximately 90.1% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

#### *State aid history*

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

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

The 2012-2013 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. The New York State Education Department approved the District's initial Annual Professional Performance Review Plan (APPR) on January 12, 2013. The most current APPR was approved on February 12, 2018.

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

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

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. The Smart Schools Bond Act authorized the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds thereunder is \$1,379,095.

*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 a part of the Community Schools Grant Initiative (CSGI).

*Gap Elimination Adjustment (GEA).* The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level 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 \$26,355. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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

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

#### *State Aid Litigation*

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

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

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

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

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.

<u>Fiscal Year</u>	<u>Total Revenues</u> <sup>(1)</sup>	<u>Total State Aid</u> <sup>(1)</sup>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2012-2013	\$ 22,293,971	\$ 15,059,508	67.55%
2013-2014	22,262,876	15,265,712	68.57
2014-2015	23,344,974	16,350,143	70.04
2015-2016	24,331,767	17,229,639	70.81
2016-2017	24,782,219	17,364,039	70.07
2017-2018 (Budgeted)	24,692,618	18,237,261	73.86
2018-2019 (Budgeted)	25,958,037	19,247,586	74.15

<sup>(1)</sup> General Fund only.

Source: Audited financial statements for the 2012-2013 fiscal year through and including the 2016-2017 fiscal year, and the budgets of the District for the 2017-2018 and 2018-2019 fiscal years. This table is not audited.

## District Facilities

The District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built / Additions</u>
Sidney Elementary <sup>(1)</sup>	Pre-K-6	633	1969, '71, '03
Sidney Middle School <sup>(1)</sup>	7-8	152	1950, '77, '03
Sidney High School <sup>(1)</sup>	9-12	299	1958, '77, '04

<sup>(1)</sup> Includes Special Education.

Source: District officials.

## Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2013-2014	1,153	2018-2019	1,093
2014-2015	1,064	2019-2020	1,093
2015-2016	1,083	2020-2021	1,093
2016-2017	1,078	2021-2022	1,093
2017-2018	1,084	2022-2023	1,093

Source: District officials.

## Employees

The District employs a total of approximately 220 full-time employees. Employees are represented by various unions as follows:

<u>Number of Employees</u>	<u>Union</u>	<u>Contract Contract Expiration Date</u>
117	Sidney Teachers' Association	June 30, 2020
85	Sidney School Related Personnel Association	June 30, 2021
7	Sidney Administrators' Association	June 30, 2020

Source: District officials.

## Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2017-2018 and 2018-2019 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2012-2013	\$ 356,231	\$ 785,603
2013-2014	374,604	1,089,977
2014-2015	350,312	1,196,913
2015-2016	345,468	911,315
2016-2017	200,578	839,714
2017-2018 (Budgeted)	205,000	925,000
2018-2019 (Budgeted)	300,000	1,013,398

Source: District records.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District currently does not have early retirement incentive programs for its employees.

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

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2013-14	20.9%	16.25%
2014-15	20.1	17.53
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.63 *

\* Estimated. The TRS rate for the 2018-19 fiscal year will be adopted in August 2018.

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

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

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

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

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

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



## 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. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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

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

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

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

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

The District contracted with Quester III BOCES, an actuarial firm, to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation dated July 1, 2016 and financial data as of June 30, 2017, the following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending June 30, 2017 and June 30, 2016:

<b><i>Annual OPEB Cost and Net OPEB Obligation:</i></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Annual required contribution (ARC)	\$ 675,538	\$ 663,077
Amortization of unfunded actuarial accrued liability	0	0
Interest on net OPEB obligation	40,331	47,915
Adjustment to ARC	<u>(66,586)</u>	<u>(66,622)</u>
Annual OPEB cost (expense)	649,283	644,370
Contributions made	<u>(523,498)</u>	<u>(497,864)</u>
Increase in net OPEB obligation	125,785	146,506
Net OPEB obligation - beginning of year	<u>1,344,370</u>	<u>1,197,864</u>
Net OPEB obligation - end of year	<u>\$ 1,470,155</u>	<u>\$ 1,344,370</u>
Percentage of annual OPEB cost contributed	73.4%	77.3%

### ***Funding Status***

Actuarial Accrued Liability (AAL)	\$ 8,253,112	\$ 6,198,170
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 8,253,112</u>	<u>\$ 6,198,170</u>
Funded Ratio (Assets as a Percentage of AAL)	0.00%	0.00%

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 649,283	73.4%	\$ 1,470,155
2016	644,370	77.3	1,344,370
2015	635,035	73.4	1,197,864

Note: The above tables are not audited.

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

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

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

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

### **Other Information**

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

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

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

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

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

### **Financial Statements**

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2017 and is attached hereto as "APPENDIX – D". The audit report covering the period ending June 30, 2018 is unavailable as of the date of this Official Statement. Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

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

### **New York State Comptroller Report of Examination**

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the 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 August 29, 2014. The purpose of the audit was to examine the District's officials' actions to control expenditures and improve student achievement for the period July 1, 2012 through February 20, 2014.

Key Findings:

- District officials raised students' standardized test scores using teaching and learning technologies.
- District officials reduced general fund expenditures by more than \$613,000 annually by moving students in special education classes at BOCES to in-house classes.
- District officials obtained more than \$1.6 million in new computer equipment with State and BOCES aid, resulting in no net increase in general fund costs, and reduced the tax levy by more than 5 percent.

Key Recommendations:

- There are no recommendations for this audit.

The District provided a complete response to the State Comptroller's office on August 19, 2014. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

### **The State Comptroller's Fiscal Stress Monitoring System**

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

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

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

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2017	No Designation	10.0%
2016	No Designation	13.3%
2015	No Designation	13.3%

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

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

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## TAX INFORMATION

### Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Towns of:					
Sidney	\$ 209,965,174	\$ 208,973,408	\$ 203,241,442	\$ 202,163,957	\$ 201,035,722
Franklin	2,550,156	2,573,156	2,558,156	2,705,225	2,726,128
Masonville	85,455,041	82,649,328	82,896,307	83,166,811	83,202,303
Walton	5,512	5,512	5,513	5,512	51,900 <sup>(1)</sup>
Unadilla	26,403,181	26,830,384	26,805,247	27,202,004	27,630,891
Guilford	12,302,898	12,443,250	12,519,031	12,990,455	12,965,327
Total Assessed Values	<u>\$ 336,681,962</u>	<u>\$ 333,475,038</u>	<u>\$ 328,025,696</u>	<u>\$ 328,233,964</u>	<u>\$ 327,612,271</u>
State Equalization Rates					
Towns of:					
Sidney	82.00%	83.35%	82.72%	82.45%	85.50%
Franklin	92.00%	92.00%	93.00%	96.00%	99.00%
Masonville	100.00%	100.00%	100.00%	100.00%	100.00%
Walton	27.35%	27.20%	25.90%	26.60%	100.00% <sup>(1)</sup>
Unadilla	64.70%	64.70%	65.00%	65.00%	65.00%
Guilford	100.00%	100.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	<u>\$ 397,413,717</u>	<u>\$ 390,096,606</u>	<u>\$ 385,124,239</u>	<u>\$ 386,040,992</u>	<u>\$ 376,611,757</u>

<sup>(1)</sup> Significant change due to revaluation.

### Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Towns of:					
Sidney	\$ 19.27	\$ 18.83	\$ 19.07	\$ 19.09	\$ 18.61
Franklin	17.17	17.06	16.96	16.39	16.07
Masonville	15.80	15.70	15.77	15.74	15.91
Walton	57.77	57.71	60.90	59.17	15.91 <sup>(1)</sup>
Unadilla	24.42	24.26	24.27	24.21	24.48
Guilford	15.80	15.70	15.77	15.74	15.91

<sup>(1)</sup> Significant change due to revaluation.

### Tax Collection Procedure

Tax payments are due on the first five to seven days of September. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged for the next 30 days. On or about November 15th, uncollected taxes are returnable to the respective Counties for collection. The School District receives this amount from said Counties prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually.

### Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Tax Levy	\$ 6,280,000	\$ 6,122,829	\$ 6,075,250	\$ 6,075,250	\$ 5,991,960
Amount Uncollected <sup>(1)</sup>	-	-	-	-	-
% Uncollected	0.00%	0.00%	0.00%	0.00%	0.00%

<sup>(1)</sup> See "Tax Collection Procedure" herein.

## Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes &amp; Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2012-2013	\$ 22,293,971	\$ 6,419,564	28.79%
2013-2014	22,262,876	6,277,656	28.20
2014-2015	23,344,974	6,119,691	25.56
2015-2016	24,331,767	6,117,441	25.14
2016-2017	24,782,219	6,116,570	24.68
2017-2018 (Budgeted)	24,692,618	6,039,185	24.46
2018-2019 (Budgeted)	25,958,037	6,039,185	23.27

Source: Audited financial statements for the 2012-2013 fiscal year through and including the 2016-2017 fiscal year, and the budgets of the District for the 2017-2018 and 2018-2019 fiscal years. This table is not audited.

## Larger Taxpayers 2017 Tax Roll for 2017-18

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
NYS Electric & Gas Corp	Utility	\$ 13,177,227
State of New York	Government	7,945,920
ACCO Brands USA LLC (Mead)	Industrial	6,450,670
Amphenol Corporation	Industrial	5,929,295
Seritage KMT Finance LLC	Commercial	4,028,070
Citizens Tele Co of NY	Utility	2,672,866
Meadow Crest Mobile Home Park	Multiple Residence	2,542,308
Meadow Valley Park, Inc.	Real Estate	2,442,618
Clark Trading Corporation	Commercial	2,410,829
Sidwood LLC	Real Estate	1,920,000
Sidney Federal Credit Union	Financial Services	1,860,206

The eleven larger taxpayers listed above have a total estimated full valuation of \$51,380,009, which represents 15.10% of the tax base of the District.

As of the date of this Official Statement, the District does not 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 \$86,000 or less, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a “basic” exemption on their primary residence.

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

<u><b>Towns of:</b></u>	<u><b>Enhanced Exemption</b></u>	<u><b>Basic Exemption</b></u>	<u><b>Date Certified</b></u>
Sidney	\$ 57,110	\$ 25,650	4/9/2018
Franklin	66,130	29,700	4/9/2018
Masonville	66,800	30,000	4/9/2018
Walton	66,800	30,000	4/9/2018
Unadilla	43,420	19,500	4/9/2018
Guilford	66,800	30,000	4/9/2018

\$1,193,095 of the District's \$6,075,250 school tax levy for the 2016-2017 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2017.

\$1,174,203 of the District's \$5,991,960 school tax levy for the 2017-2018 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2018.

### **Additional Tax Information**

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

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the School District is estimated to be categorized as follows: Agricultural- 2%, Residential-53%, Industrial- 4%, Commercial-15% and Other- 26%.

The estimated total annual property tax bill of a \$75,000 market value residential property located in the School District is approximately \$2,250 including County, Town, School District and Fire District taxes.

### **TAX LEVY LIMITATION LAW**

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

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

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be 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 could 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 this is an exclusion from the tax levy limitation.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution and the Equal Protection and Due Process clauses and the First Amendment of the United States Constitution. 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") 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 School 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 authorized by the Board of Education and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

### **Statutory Procedure**

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

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

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

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

- (1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations; and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

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



The Board of Education, as the finance board of the 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

<u>Fiscal Years Ending June 30<sup>th</sup>:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 16,690,000	\$ 14,375,000	\$ 19,395,000	\$ 16,950,000	\$ 14,415,000
Bond Anticipation Notes	<u>2,351,976</u>	<u>7974,190</u>	<u>8,919,190</u>	<u>5,000,000</u>	<u>11,250,000</u>
Total Debt Outstanding	<u>\$ 19,041,976</u>	<u>\$ 22,349,190</u>	<u>\$ 28,314,190</u>	<u>\$ 21,950,000</u>	<u>\$ 25,665,000</u>

### Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 6, 2018.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2019-2030	\$ 14,415,000
<u>Bond Anticipation Notes</u>		
Capital Project	July 28, 2018	<u>11,250,000</u> <sup>(1)</sup>
	Total Indebtedness	<u>\$ 25,665,000</u>

<sup>(1)</sup> To be partially redeemed and renewed with \$10,435,000 of the proceeds of the Notes and \$815,000 available funds of the District.

### Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of July 6, 2018:

Full Valuation of Taxable Real Property .....	\$ 376,611,757
Debt Limit 10% thereof .....	37,661,176

#### Inclusions:

Bonds.....	\$ 14,415,000	
Bond Anticipation Notes .....	815,000	
Principal of this Issue .....	<u>11,498,077</u>	
Total Inclusions .....		<u>\$ 26,728,077</u>

#### Exclusions:

State Building Aid <sup>(1)</sup> .....	<u>\$ 0</u>	
Total Exclusions .....		<u>\$ 0</u>

Total Net Indebtedness ..... \$ 26,728,077

Net Debt-Contracting Margin ..... \$ 10,933,099

The percent of debt contracting power exhausted is ..... 70.97%

<sup>(1)</sup> Based on preliminary 2018-2019 building aid estimates, the District anticipates State Building aid of 90.1% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

## Bonded Debt Service

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

## Capital Project Plans

On June 16, 2015, the District authorized the issuance of \$13,186,000 serial bonds to pay part of the cost of the renovation of School District buildings. The District has appropriated \$1,000,000 capital reserve funds to fund the balance of project costs. The District issued \$5,000,000 bond anticipation notes to mature on July 28, 2017, which represented the first borrowing against this authorization. The District then renewed a \$4,750,000 portion of the bond anticipation notes and issued \$6,500,000 in new money for the project to mature July 28, 2018. The Notes are being issued along with \$815,000 available funds of the District to partially redeem and renew the bond anticipation notes maturing July 27, 2018 and provide \$1,063,077 new money for the aforementioned purpose.

On May 15, 2018 the District voters approved the issuance of \$2,490,000 for the purchase of school buses and other vehicles. The District plans to borrow the money in annual installments beginning with \$595,000 in late summer or early fall 2018.

There are presently no other capital projects authorized and unissued by the District.

## Cash Flow Borrowings

The District, historically, does not issue tax anticipation notes and/or revenue anticipation notes.

The District does not expect to issue revenue anticipation notes or tax anticipation notes in the current fiscal year.

## 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 respective municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Exclusions</u> <sup>(2)</sup>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Chenango	12/31/2016	\$ -	\$ -	\$ -	0.52%	\$ -
Delaware	12/31/2016	5,301,029	326,029	4,975,000	6.37%	316,908
Otsego	12/31/2016	4,176,459	4,176,459	-	0.99%	-
Town of:						
Sidney	12/31/2016	-	-	-	86.95%	-
Masonville	12/31/2016	166,600	-	166,600	79.45%	132,364
Franklin	12/31/2016	95,384	95,384	-	1.38%	-
Unadilla	12/31/2016	236,949	-	236,949	20.19%	47,840
Guilford	12/31/2016	1,158,481	-	1,158,481	7.89%	91,404
Walton	12/31/2016	-	-	-	0.01%	-
Village of:						
Sidney	5/31/2017	1,545,337	370,972	1,174,365	100.00%	1,174,365
Total:						<u>\$ 1,762,880</u>

<sup>(1)</sup> Bonds and bond anticipation notes as of close of 2016 fiscal year. Not adjusted to include subsequent bond sales, if any.

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

Note: The 2017 Comptroller's Special Report for the Counties are Towns above are currently unavailable as of the date of this Official Statement.

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

## Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of July 6, 2018:

	<u>Amount</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Value</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup> .....	\$ 26,728,077	\$ 3,662.89	7.10%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> .....	28,490,957	3,904.48	7.57

(a) The current estimated population of the District is 7,297. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2017-18 fiscal year is \$376,611,757. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

(d) Estimated net overlapping indebtedness is \$1,762,880. (See "Estimated Overlapping Indebtedness" herein.)

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

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

**State Aid Intercept For School Districts.** In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the 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 the counties, cities, towns 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, enacted at the 1975 Extraordinary Session of the State legislature, described below, 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 crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. 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.

## MARKET AND RISK FACTORS

The financial and economic condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the

Notes. If a significant default or other financial crisis should occur in the affairs of the State or any other jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

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

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, and continuing technical and Constitutional issues, regarding its implementation and interpretation could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

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

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal 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 made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to insure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and 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 exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect a Owner's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals in recent years generally would limit the exclusion from gross income of interest on obligations like the

Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. A major tax reform bill is presently under consideration in Congress. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver such opinion at the time of issuance of the Notes substantially in the form set forth in "APPENDIX – E" hereto.

## **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 compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12, however; The School District was late in making a \$68,934.38 interest payment on its \$4,645,000 School District Refunding (Serial) Bonds, 2010 and late in making a \$221,581.25 interest payment on its \$12,860,000 School District Refunding (Serial) Bonds, 2012. The interest payments were due on December 15, 2017 but were not made until December 28, 2015 due to a clerical oversight. The School District was also late in making a \$2,800 interest payment on its \$390,000 School District (Serial) Bonds, 2015. The interest payment was due on March 1, 2017 but was not made until March 3, 2017 due to a clerical oversight.

## **MUNICIPAL ADVISOR**

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

## **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. The District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **RATING**

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s) pending the approval of the District, including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX – C", attached hereto).

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

Moody's Investors Service ("Moody's") has assigned its underlying rating of "A1" to the District's outstanding bonds. The rating reflects only the view of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, 99 Church Street - 9th Floor, New York, New York 10007, Phone: (212) 553-0038, Fax: (212) 553-1390.

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

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

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

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

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

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

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

The District's contact information is as follows: Mr. Michael Pavlovich, Administrator for Business and Support Programs, 95 West Main Street, Sidney, New York 13838 telephone (607) 561-7700 opt. 3, fax (607) 563-2386, email [mpavlovich@sidneycsd.org](mailto:mpavlovich@sidneycsd.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](http://www.fiscaladvisors.com)

**SIDNEY CENTRAL SCHOOL DISTRICT**

**Dated: July 6, 2018**

**KERRI GREEN**  
**PRESIDENT OF THE BOARD OF EDUCATION AND**  
**CHIEF FISCAL OFFICER**



**GENERAL FUND**

**Balance Sheets**

Fiscal Years Ending June 30:	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
<u><b>ASSETS</b></u>					
Unrestricted Cash	\$ 4,257,063	\$ 2,839,461	\$ 3,059,305	\$ 2,407,034	\$ 1,939,685
Restricted Cash	4,473,772	4,227,611	3,711,569	4,862,267	4,840,635
Taxes Receivable	-	-	-	-	-
Due from Other Governments	1,552,882	1,479,261	1,520,957	1,561,669	1,334,158
Due from Other Funds	754,880	1,490,470	2,484,616	2,071,405	2,762,047
Account Receivables	253,469	73,794	103,076	68,281	126,888
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,292,066</u></u>	<u><u>\$ 10,110,597</u></u>	<u><u>\$ 10,879,523</u></u>	<u><u>\$ 10,970,656</u></u>	<u><u>\$ 11,003,413</u></u>
<u><b>LIABILITIES AND FUND EQUITY</b></u>					
Accounts Payable	\$ 543,010	\$ 861,265	\$ 653,819	\$ 153,156	\$ 710,381
Accrued Liabilities	17,137	41,399	200,678	24,468	38,729
Due to Other Funds	1,604,922	-	1,000,000	1,037,559	58,967
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	910,860	1,244,079	1,323,595	1,046,528	916,025
Due to Employees' Retirement System	102,818	105,028	85,454	79,023	70,373
Compensated Absences	-	-	-	-	-
Deferred Revenues	8,784	8,784	-	-	-
Overpayments	1,495,125	1,416,766	1,477,981	1,474,187	1,535,135
Accrued Interest on Bond Anticipation Notes	22,295	22,295	54,727	192,744	70,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u><u>4,704,951</u></u>	<u><u>3,699,616</u></u>	<u><u>4,796,254</u></u>	<u><u>4,007,665</u></u>	<u><u>3,399,610</u></u>
<u><b>FUND EQUITY</b></u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,473,772	4,227,611	3,711,569	4,862,267	4,840,635
Assigned	567,146	390,750	437,727	911,354	1,331,048
Unassigned	1,546,197	1,792,620	1,933,973	1,189,370	1,432,120
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUND EQUITY</b>	<u><u>6,587,115</u></u>	<u><u>6,410,981</u></u>	<u><u>6,083,269</u></u>	<u><u>6,962,991</u></u>	<u><u>7,603,803</u></u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u><u>\$ 11,292,066</u></u>	<u><u>\$ 10,110,597</u></u>	<u><u>\$ 10,879,523</u></u>	<u><u>\$ 10,970,656</u></u>	<u><u>\$ 11,003,413</u></u>

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance**

Fiscal Years Ending June 30:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>REVENUES</u></b>					
Real Property Taxes	\$ 5,247,579	\$ 5,117,528	\$ 4,982,056	\$ 4,850,935	\$ 4,843,192
Real Property Tax Items	1,310,552	1,302,036	1,295,600	1,268,756	1,274,249
Charges for Services	64,167	383,196	195,149	221,403	196,678
Use of Money & Property	148,943	169,702	144,593	172,612	159,018
Sale of Property and Compensation for Loss	8,150	20,079	4,661	40,029	11,080
Miscellaneous	239,337	171,629	346,648	402,116	600,203
Interfund Revenues	18,329	8,971	-	-	-
Revenues from State Sources	14,443,409	15,059,508	15,265,712	16,350,143	17,229,639
Revenues from Federal Sources	10,460	61,322	28,457	38,980	17,708
Total Revenues	<u>\$ 21,490,926</u>	<u>\$ 22,293,971</u>	<u>\$ 22,262,876</u>	<u>\$ 23,344,974</u>	<u>\$ 24,331,767</u>
Other Sources:					
Interfund Transfers	-	-	750,000	600,000	-
Appropriated Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>21,490,926</u>	<u>22,293,971</u>	<u>23,012,876</u>	<u>23,944,974</u>	<u>24,331,767</u>
<b><u>EXPENDITURES</u></b>					
General Support	\$ 3,807,724	\$ 3,786,868	\$ 4,086,402	\$ 4,546,989	\$ 4,326,081
Instruction	9,372,639	10,373,502	10,640,248	10,975,440	10,681,674
Pupil Transportation	792,097	819,995	749,809	878,350	805,618
Community Services	21,575	13,037	10,441	19,427	17,422
Employee Benefits	3,857,212	4,119,236	4,737,384	4,864,497	4,585,733
Debt Service	2,988,805	2,978,264	2,964,726	2,987,983	3,035,517
Total Expenditures	<u>\$ 20,840,052</u>	<u>\$ 22,090,902</u>	<u>\$ 23,189,010</u>	<u>\$ 24,272,686</u>	<u>\$ 23,452,045</u>
Other Uses:					
Interfund Transfers	-	1,500,000	-	-	-
Tax Certiorari	-	-	-	-	-
Repair Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>20,840,052</u>	<u>23,590,902</u>	<u>23,189,010</u>	<u>24,272,686</u>	<u>23,452,045</u>
Excess (Deficit) Revenues Over Expenditures	<u>650,874</u>	<u>(1,296,931)</u>	<u>(176,134)</u>	<u>(327,712)</u>	<u>879,722</u>
<b><u>FUND BALANCE</u></b>					
Fund Balance - Beginning of Year	7,233,172	7,884,046	6,587,115	6,410,981	6,083,269
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 7,884,046</u></u>	<u><u>\$ 6,587,115</u></u>	<u><u>\$ 6,410,981</u></u>	<u><u>\$ 6,083,269</u></u>	<u><u>\$ 6,962,991</u></u>

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:	<b>2017</b>			<b>2018</b>	<b>2019</b>
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
<b><u>REVENUES</u></b>					
Real Property Taxes	\$ 6,075,250	\$ 6,075,250	\$ 4,876,831	\$ 4,813,316	\$ 4,813,316
Real Property Tax Items	47,225	47,225	1,239,739	1,225,869	1,225,869
Charges for Services	142,000	142,000	217,863	11,256	90,500
Use of Money & Property	122,000	122,000	229,277	136,716	140,066
Sale of Property and Compensation for Loss	18,500	18,500	7,509	7,000	15,000
Miscellaneous	332,250	332,250	844,496	256,200	397,700
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	17,809,077	17,809,077	17,364,039	18,237,261	19,247,586
Revenues from Federal Sources	35,000	35,000	2,465	5,000	28,000
Total Revenues	<u>\$ 24,581,302</u>	<u>\$ 24,581,302</u>	<u>\$ 24,782,219</u>	<u>\$ 24,692,618</u>	<u>\$ 25,958,037</u>
Other Sources:					
Interfund Transfers	700,000	700,000	500,000	850,000	1,150,000
Appropriated Reserves	911,354	911,354	-	-	-
Total Revenues and Other Sources	<u>26,192,656</u>	<u>26,192,656</u>	<u>25,282,219</u>	<u>25,542,618</u>	<u>27,108,037</u>
<b><u>EXPENDITURES</u></b>					
General Support	\$ 4,589,724	\$ 4,501,310	\$ 4,243,779	\$ 4,354,719	\$ 4,824,030
Instruction	10,693,031	11,231,128	11,003,918	11,844,716	12,169,960
Pupil Transportation	1,013,280	819,022	832,523	1,053,175	942,150
Community Services	16,600	17,393	11,269	15,500	14,500
Employee Benefits	6,035,021	4,685,196	4,610,649	5,878,250	6,122,239
Debt Service	3,845,000	3,512,173	3,439,269	3,531,721	4,090,000
Total Expenditures	<u>\$ 26,192,656</u>	<u>\$ 24,766,222</u>	<u>\$ 24,141,407</u>	<u>\$ 26,678,081</u>	<u>\$ 28,162,879</u>
Other Sources and Uses:					
Interfund Transfers	-	1,426,434	500,000	100,000	200,000
Carryover Encumbrances	-	-	-	-	-
Other Income	-	-	-	-	-
Total Expenditures and Other Uses	<u>26,192,656</u>	<u>26,192,656</u>	<u>24,641,407</u>	<u>26,778,081</u>	<u>28,362,879</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>640,812</u>	<u>(1,235,463)</u>	<u>(1,254,842)</u>
<b><u>FUND BALANCE</u></b>					
Fund Balance - Beginning of Year	-	-	6,962,991	1,235,463	1,254,842
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,603,803</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BONDED DEBT SERVICE**

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	\$ 2,355,000	\$ 619,456.26	\$ 2,974,456.26
2020	1,725,000	511,381.26	2,236,381.26
2021	1,785,000	456,662.51	2,241,662.51
2022	1,765,000	372,225.00	2,137,225.00
2023	1,575,000	297,050.00	1,872,050.00
2024	1,145,000	238,650.00	1,383,650.00
2025	685,000	192,250.00	877,250.00
2026	715,000	159,100.00	874,100.00
2027	745,000	130,512.50	875,512.50
2028	780,000	94,125.00	874,125.00
2029	825,000	56,025.00	881,025.00
2030	315,000	15,750.00	330,750.00
TOTALS	\$ 14,415,000	\$ 3,143,187.53	\$ 17,558,187.53

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending June 30th	2010			2012		
	Refunding of 2001A&B series bonds			Refunding of 2004 & 2005 series bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 430,000	\$ 64,118.76	\$ 494,118.76	\$ 1,415,000	\$ 237,950.00	\$ 1,652,950.00
2020	90,000	42,618.76	132,618.76	1,105,000	174,275.00	1,279,275.00
2021	95,000	39,468.76	134,468.76	1,130,000	146,650.00	1,276,650.00
2022	100,000	36,025.00	136,025.00	1,170,000	90,150.00	1,260,150.00
2023	100,000	32,400.00	132,400.00	955,000	43,350.00	998,350.00
2024	105,000	28,650.00	133,650.00	490,000	14,700.00	504,700.00
2025	110,000	24,450.00	134,450.00	-	-	-
2026	110,000	20,050.00	130,050.00	-	-	-
2027	115,000	15,512.50	130,512.50	-	-	-
2028	120,000	10,625.00	130,625.00	-	-	-
2029	130,000	5,525.00	135,525.00	-	-	-
<b>TOTALS</b>	<b>\$ 1,505,000</b>	<b>\$ 319,443.78</b>	<b>\$1,824,443.78</b>	<b>\$ 6,265,000</b>	<b>\$ 707,075.00</b>	<b>\$6,972,075.00</b>

Fiscal Year Ending June 30th	2015			2016		
	Bus Purchase			DASNY		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 80,000	\$ 3,587.50	\$ 83,587.50	\$ 430,000	\$ 313,800.00	\$ 743,800.00
2020	80,000	2,187.50	82,187.50	450,000	292,300.00	742,300.00
2021	85,000	743.75	85,743.75	475,000	269,800.00	744,800.00
2022	-	-	-	495,000	246,050.00	741,050.00
2023	-	-	-	520,000	221,300.00	741,300.00
2024	-	-	-	550,000	195,300.00	745,300.00
2025	-	-	-	575,000	167,800.00	742,800.00
2026	-	-	-	605,000	139,050.00	744,050.00
2027	-	-	-	630,000	115,000.00	745,000.00
2028	-	-	-	660,000	83,500.00	743,500.00
2029	-	-	-	695,000	50,500.00	745,500.00
2030	-	-	-	315,000	15,750.00	330,750.00
<b>TOTALS</b>	<b>\$ 245,000</b>	<b>\$ 6,518.75</b>	<b>\$ 251,518.75</b>	<b>\$ 6,400,000</b>	<b>\$2,110,150.00</b>	<b>\$8,510,150.00</b>

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

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

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

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

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

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

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

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

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

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**SIDNEY CENTRAL SCHOOL DISTRICT  
DELAWARE, CHENANGO AND OTSEGO COUNTIES, NEW YORK**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2017**

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



**SIDNEY CENTRAL SCHOOL DISTRICT  
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**D'Arcangelo & Co., LLP**  
**Certified Public Accountants & Consultants**

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315-336-9220 Fax: 315-336-0836

**Independent Auditor's Report**

Board of Education  
Sidney 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 the Sidney Central School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**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 Sidney Central School District, as of June 30, 2017, 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.

**New Accounting Standard**

As discussed in Note 1 to the financial statements, the District changed accounting policies related to the financial statement presentation of payments in lieu of tax agreements or tax abatement agreements by adopting *Statement of Government Accounting Standards (GASB Statement) No. 77 Tax Abatement Disclosures*, for the year ended June 30, 2017. The new pronouncement requires governments having tax abatement agreements in place to recognize their reasoning for the abatements as well as the amount of taxes abated by the agreement. In addition, GASB 77 requires the government to disclose the terms of the agreement and amounts received through the written agreement. GASB 77 also enhances accountability and transparency through revised and new note disclosures.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and other Required Supplementary Information, as listed in the Table of Contents and shown on pages 44 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sidney Central School District's basic financial statements. The other supplementary information on pages 48 through 50 is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards 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 other supplemental information and the schedule of expenditures of federal awards 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 13, 2017, on our consideration of the Sidney Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sidney Central School District's internal control over financial reporting and compliance.

*D'Arcangelo & Co., LLP*

October 13, 2017

Rome, New York

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

The Sidney Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2017 and 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

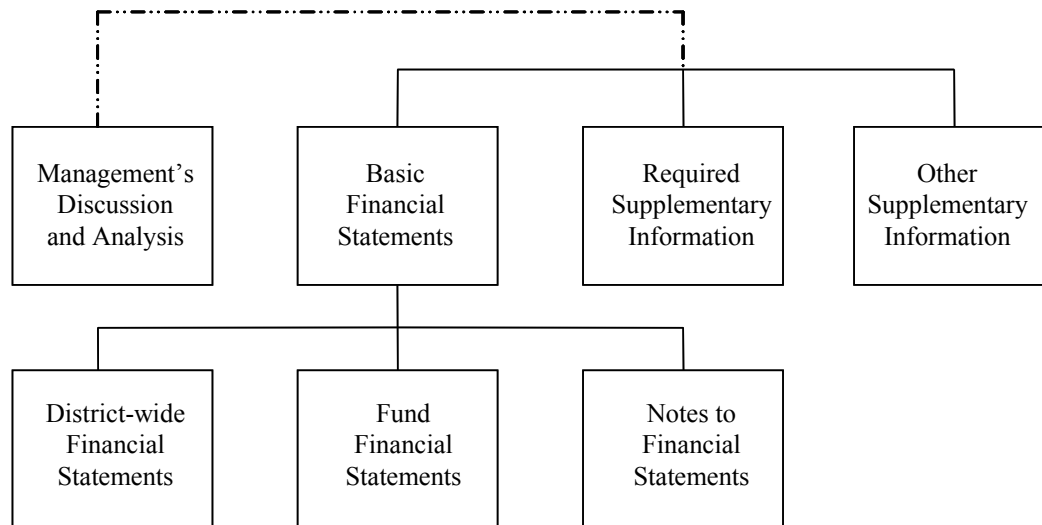
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the District-wide financial statements, increased by \$1,370,830.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$24,991,423. This amount was offset by \$294,086 in program charges for services and \$1,433,397 by operating grants. General revenues of \$24,634,770 amounts to 93.4% of total revenues.
- State and federal revenue increased by \$119,157 to \$17,366,504 in 2017 from \$17,247,347 in 2016.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 15 and 17, increased by - \$640,812 to \$7,603,803. This was due to an excess of revenues compared to expenditures based on the modified accrual basis of accounting.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

**A. District-wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased by \$1,370,830 between fiscal year 2017 and 2016. A summary of the District's Statement of Net Position for June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 12,038,945	\$ 23,615,861	\$ (11,576,916)	(49.0%)
Capital Assets, (Net of Depreciation)	<u>44,167,750</u>	<u>40,594,161</u>	<u>3,573,589</u>	8.8%
Total Assets	<u>56,206,695</u>	<u>64,210,022</u>	<u>(8,003,327)</u>	(12.5%)
Deferred Outflow of Resources	<u>5,303,170</u>	<u>2,250,847</u>	<u>3,052,323</u>	135.6%
Current and Other Liabilities	11,040,077	13,471,827	(2,431,750)	(18.1%)
Non-Current Liabilities	<u>21,008,985</u>	<u>23,339,214</u>	<u>(2,330,229)</u>	(10.0%)
Total Liabilities	<u>32,049,062</u>	<u>36,811,041</u>	<u>(4,761,979)</u>	(12.9%)
Deferred Inflow of Resources	<u>336,756</u>	<u>1,896,611</u>	<u>(1,559,855)</u>	(82.2%)
Net Position				
Net Investment in Capital Assets	19,589,107	18,047,093	1,542,014	8.5%
Restricted	6,669,864	7,165,423	(495,559)	(6.9%)
Unrestricted	<u>2,865,076</u>	<u>2,540,701</u>	<u>324,375</u>	(12.8%)
Total Net Position	<u>\$ 29,124,047</u>	<u>\$ 27,753,217</u>	<u>\$ 1,370,830</u>	4.9%

Current and Other Assets decreased by \$11,576,916, as compared to the prior year. The decrease is primarily due to bond proceeds that were expended in the current year and a decrease in the Teachers' Retirement System Net Pension Asset-Proportionate Share of \$4,924,213.

Capital assets, net of accumulated depreciation, increased by \$3,573,589, as compared to the prior year. This increase is primarily due to capital asset additions (primarily district renovations) exceeding depreciation for the year. Note 6 to the financial statements provide additional information.

Deferred Outflow of Resources increased by \$3,052,323, as compared to the prior year. The increase is primarily due to the change in Teachers' Retirement System pension deferred outflows due to changes in assumptions and earnings on plan investments.

Current and Other Liabilities decreased by \$2,431,750, as compared to the prior year. This decrease is primarily due to a decrease in the amount outstanding for Bond Anticipation Notes for financing of capital projects.

Non-current liabilities decreased by \$2,330,229, as compared to the prior year. This decrease is primarily the result of payments of principal on serial bonds.

Deferred Inflow of Resources decreased by \$1,559,855, as compared to the prior year. This decrease is primarily due to the change in the Teachers' Retirement System pension deferred inflows.

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

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

The restricted net position at June 30, 2017 was \$6,669,864, which represents the amount of the District's reserves and other restricted amounts in the General and Debt Service Funds.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

<b>Revenues</b>	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues				
Charges for Services	\$ 294,086	\$ 344,357	\$ (50,271)	(14.6%)
Operating & Capital Grants	1,433,397	1,325,374	108,023	8.2%
General Revenues				
Property Taxes and STAR	6,116,570	6,117,441	(871)	(0.01%)
State and Federal Sources	17,366,504	17,247,347	119,157	0.7%
Other	<u>1,151,696</u>	<u>1,085,083</u>	<u>66,613</u>	6.1%
Total Revenues	<u>26,362,253</u>	<u>26,119,602</u>	<u>242,651</u>	0.9%
 <b>Expenses</b>				
General Support	4,772,853	4,901,069	(128,216)	(2.6%)
Instruction	17,491,962	15,755,024	1,736,938	11.0%
Pupil Transportation	1,098,828	1,038,300	60,528	5.8%
Community Service	16,978	24,105	(7,127)	(29.6%)
Debt Service-Unallocated Interest	870,885	773,274	97,611	12.6%
Food Service Program	<u>739,917</u>	<u>642,970</u>	<u>96,947</u>	15.1%
Total Expenses	<u>24,991,423</u>	<u>23,134,742</u>	<u>1,856,681</u>	8.0%
 Total Change in Net Position	<u>\$ 1,370,830</u>	<u>\$ 2,984,860</u>	<u>\$ (1,614,030)</u>	

The District's revenues increased by 0.9% in 2017 or \$242,651. The major factors that contributed to the increase were:

- State and Federal aid increased by \$119,157, primarily due to an increase in general aid and lottery aid.
- Increase in food service operating grants of \$93,880 due to the District changing to community eligibility.

The District's expenditures for the year increased by 8.0% or \$1,856,681, primarily due to expenditures in the instructional category. The major factors including:

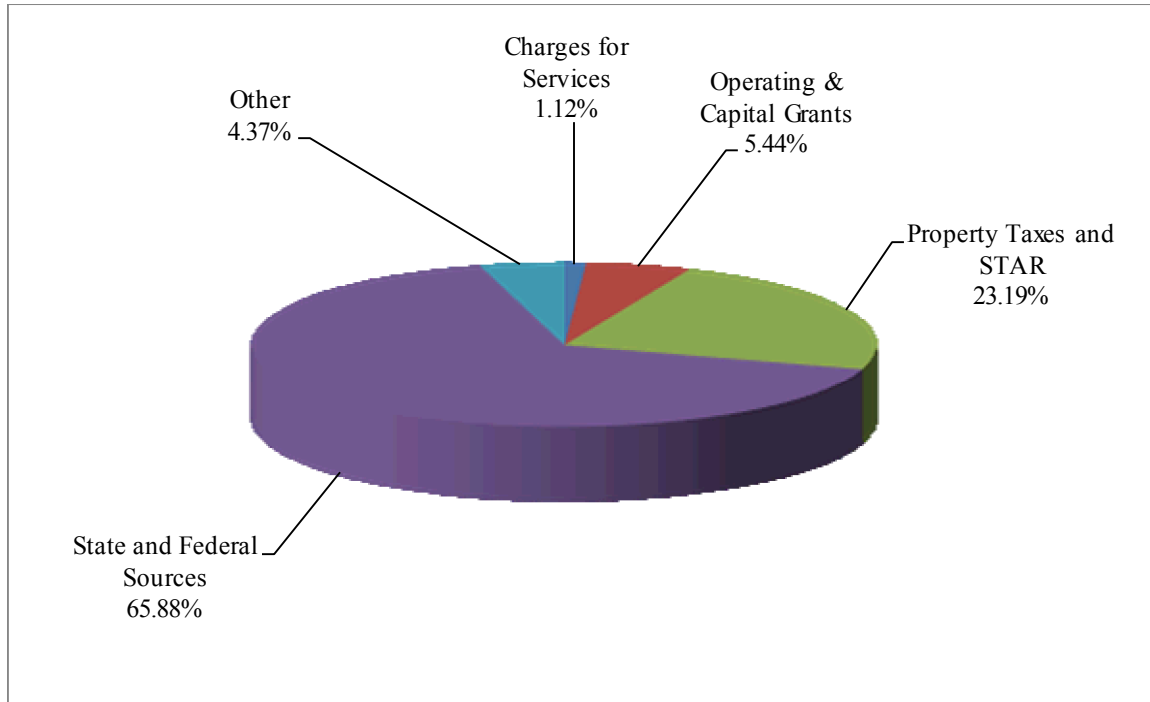
- In 2016, the impact of GASB 68 resulted in a reduction in pension expense of \$1,180,047 related to the Teachers' Retirement System, while in 2017 there was an increase in pension expense of \$170,602.
- Increase in instructional salaries and health insurance expense.

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

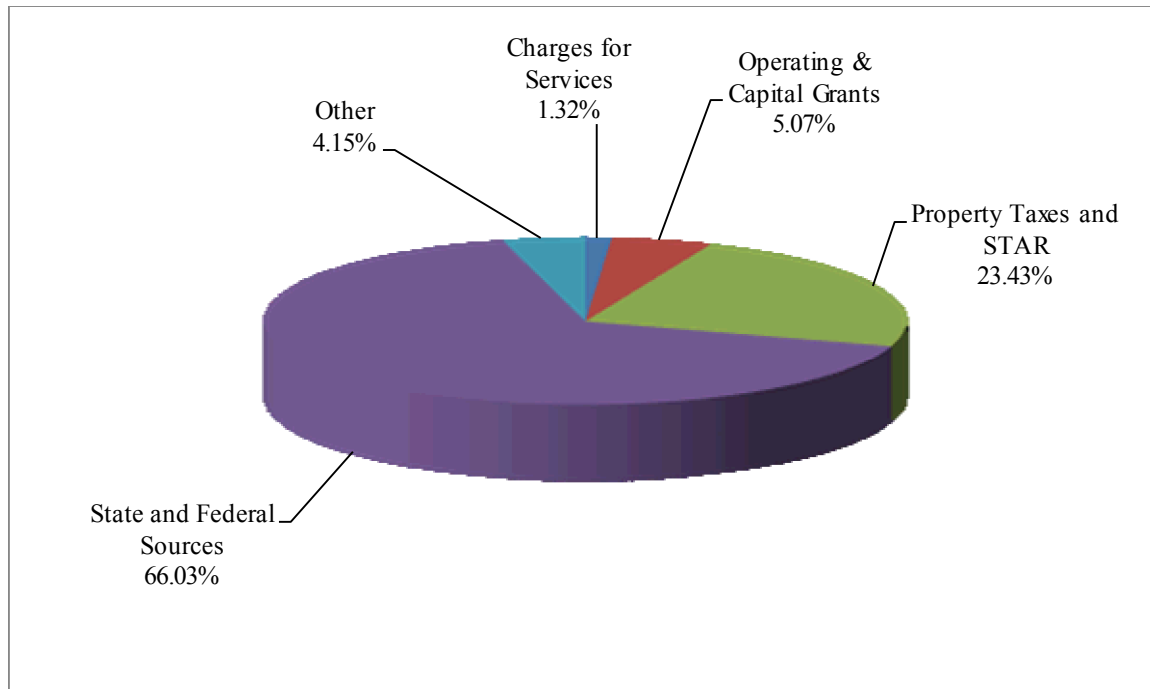
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A graphic display of the distribution of revenues for the two years follows:

**For the Year Ended June 30, 2017**



**For the Year Ended June 30, 2016**



See Independent Auditor's Report

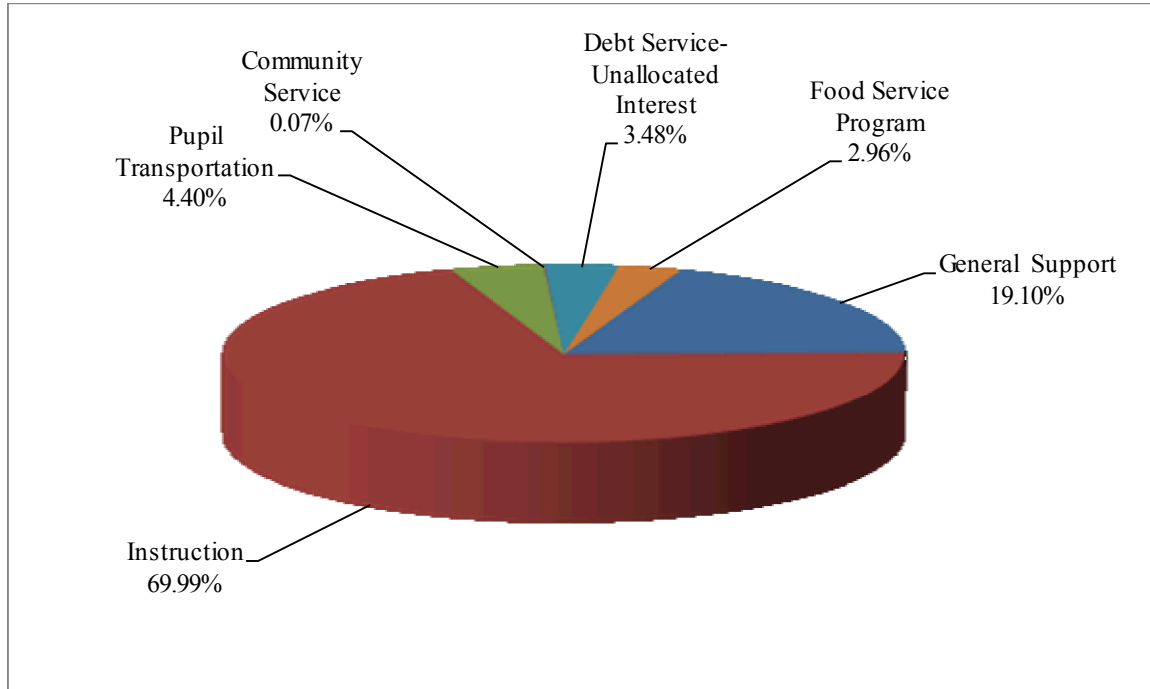


**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

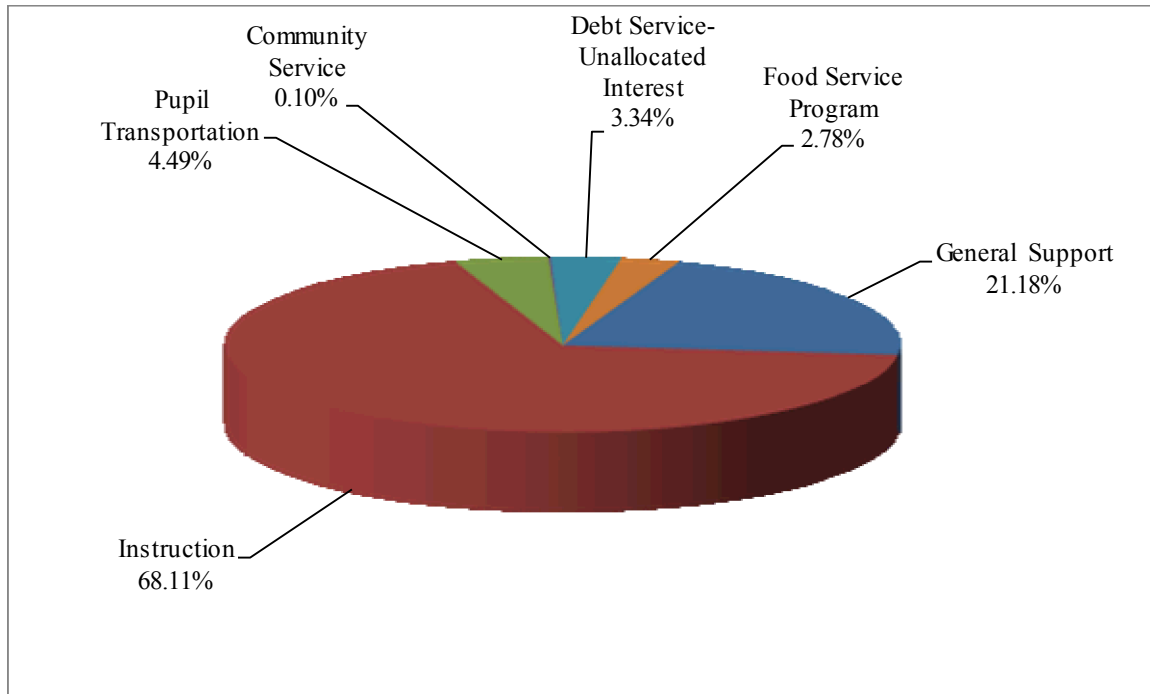
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A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2017**



**For the Year Ended June 30, 2016**



See Independent Auditor's Report

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$2,232,165 which is a decrease of \$4,381,743 compared to the prior year. This decrease is due to an excess of expenditures over revenues for the year. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
<b>General Fund</b>			
Restricted Funds			
Retirement Contribution Reserve	\$ 1,181,178	\$ 1,180,849	\$ 329
Property Loss Reserve	115,712	115,651	61
Liability Reserve	635,557	635,225	332
Tax Certiorari Reserve	563,357	586,105	(22,748)
Employee Benefit Accrued Liability Reserve	805,936	805,772	164
Capital Reserve	1,000,000	1,000,000	
Repairs Reserve	159,979	159,947	32
Unemployment Insurance Reserve	378,916	378,718	198
Total Restricted Funds	<u>4,840,635</u>	<u>4,862,267</u>	<u>(21,632)</u>
Assigned			
General Support	84,546	60,647	23,899
Instruction	10,265	707	9,558
Pupil Transportation	774		774
Appropriated for Subsequent Year's Budget	1,235,463	850,000	385,463
Total Assigned	<u>1,331,048</u>	<u>911,354</u>	<u>419,694</u>
Unassigned			
Reserve for Tax Reduction	57,072	57,072	
Unassigned	1,375,048	1,132,298	242,750
Total Unassigned	<u>1,432,120</u>	<u>1,189,370</u>	<u>242,750</u>
Total General Fund	<u>7,603,803</u>	<u>6,962,991</u>	<u>640,812</u>
 <b>School Lunch Fund</b>			
Nonspendable	31,479	39,584	(8,105)
Assigned	<u>268,353</u>	<u>332,301</u>	<u>(63,948)</u>
Total School Lunch Fund	<u>299,832</u>	<u>371,885</u>	<u>(72,053)</u>
 <b>Special Aid Fund</b>			
Assigned	<u>127,944</u>	<u>127,944</u>	
 <b>Debt Service Fund</b>			
Restricted	<u>1,829,229</u>	<u>2,303,156</u>	<u>(473,927)</u>
 <b>Capital Projects Fund</b>			
Unassigned (Deficit)	<u>(7,628,643)</u>	<u>(3,152,068)</u>	<u>(4,476,575)</u>
 Total Fund Balance - All Funds	<u>\$ 2,232,165</u>	<u>\$ 6,613,908</u>	<u>\$ (4,381,743)</u>

There was an increase of \$385,463 in the amount of the appropriated fund balance for 2018.

The increase in the Capital Fund's deficit by \$4,476,575 is the result of expenditures incurred for capital projects. This deficit will be eliminated when permanent financing is obtained.

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

(Continued)

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016-2017 Budget**

The District's General Fund adopted budget for the year ended June 30, 2017, was \$26,131,302. This is an increase of \$546,050 compared to the prior years adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$6,075,250 in estimated property taxes and State Aid in the amount of \$17,809,077.

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

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

Opening, Unassigned Fund Balance	\$ 1,189,370
Revenues, Appropriated Reserves, and Transfers Over Budget	917
Expenditures, Encumbrances, and Transfers under Budget	1,455,664
Net Decrease in Restricted Funds	21,632
Appropriated for June 30, 2018 Budget	<u>(1,235,463)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,432,120</u></u>

Opening, Unassigned Fund Balance

The \$1,189,370 shown in the table is the portion of the District's June 30, 2016, fund balance that was retained as unassigned. This was 4.5% of the District's 2016-2017 approved operating budget.

Revenues, Appropriated Reserves, and Transfers Under Budget

The 2016-2017 budget for revenues and appropriated reserves and transfers was \$25,281,302. The actual revenues and appropriated reserves and transfers received for the year were \$25,282,219. The actual revenue and other financing sources over the estimated or budgeted revenue was \$917. This variance contributes directly to the change to the unassigned portion of the General Fund fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-2017 budget for expenditures was \$26,192,656. The actual expenditures and encumbrances were \$24,736,992. The final budget was under expended by \$1,455,664. This under expenditure contributes to the change to the unassigned portion of the General Fund fund balance from June 30, 2016 to June 30, 2017.

Net Decrease in Restricted Funds

The School District's restricted funds in the General Fund decreased by \$21,632, through transfers and expenditures approved by the Board of Education.

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

Appropriated Fund Balance

The District has chosen to use \$1,235,463 of its available June 30, 2017, fund balance to partially fund its 2017-2018 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2017-2018 fiscal year with an unassigned fund balance of \$1,432,120. This is an increase of \$242,750 compared to the unassigned balance from the prior year. The unassigned fund balance subject to Section 1318 of Real Property Tax Law was 5.13% of the District's approved 2017-2018 operating budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2017, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to capital additions exceeding depreciation recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2017 and 2016, is as follows:

	2017	2016	Increase (Decrease)
Land	\$ 75,482	\$ 75,482	\$
Construction in Progress	5,213,384	575,410	4,637,974
Buildings and Improvements	37,199,935	38,076,485	(876,550)
Furniture, Equipment, and Vehicles	1,678,949	1,866,784	(187,835)
Capital Assets, Net	<u>\$ 44,167,750</u>	<u>\$ 40,594,161</u>	<u>\$ 3,573,589</u>

**B. Debt Administration**

At June 30, 2017, the District had total bonds payable of \$16,950,000. A summary of the outstanding bonds at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2/25/2010	2.0%-4.25%	\$ 1,910,000	\$ 2,300,000	\$ (390,000)
6/15/2012	1.75%-5.0%	7,905,000	9,785,000	(1,880,000)
09/01/15	1.75%	320,000	390,000	(70,000)
06/15/16	4.0%-5.0%	6,815,000	6,920,000	(105,000)
Total		<u>\$ 16,950,000</u>	<u>\$ 19,395,000</u>	<u>\$ (2,445,000)</u>

**SIDNEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**(Continued)**

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**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District appropriated \$1,235,463 of the June 30, 2017 fund balance to the 2017- 2018 budget.

The voters passed the 2017-2018 budget in May of 2017 with a total appropriation of \$26,778,081, an increase of \$646,779 from the prior year.

The economic climate and financial status of the State of New York brings uncertainty of the state sustaining and/or increasing State Aid in the future for the School District. Costs will continue to escalate in the areas of medical insurance and retirement contributions, making it more difficult to contain costs. The School District has negotiated changes in health insurance plans to minimize increases. It has established reserves to offset significant increases in retirement costs, and has worked to purchase electricity and fuel in the least expensive manner.

**8. CONTACTING THE DISTRICT**

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

**Sidney Central School District  
95 West Main Street  
Sidney, New York 13838**

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**Assets**

Cash and Cash Equivalents	\$ 4,677,807
Restricted Cash and Cash Equivalents	5,669,851
Cash Held in Escrow	4,806
Due From	
Other Governments	1,433,922
Fiduciary Funds	979
Other Receivables	220,101
Inventory	31,479
Capital Assets (Net of Accumulated Depreciation)	<u>44,167,750</u>
Total Assets	<u>56,206,695</u>

**Deferred Outflows of Resources**

Deferred Outflows - Pensions	<u>5,303,170</u>
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**Total Assets and Deferred Outflows**

\$ 61,509,865

**Liabilities**

Accounts Payable	\$ 2,036,338
Accrued Liabilities	84,983
Due To	
Other Governments	248
Teachers' Retirement System	916,025
Employees' Retirement System	72,731
Accrued Interest on Bond Anticipation Note	70,000
Short-Term Notes Payables	
Bond Anticipation Note	5,000,000
Overpayments and Collections in Advance	1,535,135
Unearned Revenue	122,541
Net Pension Liability - Proportionate Share	1,202,076
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	2,535,000
Premium on Bond	104,027
Due in More Than One Year	
Bonds Payable	14,415,000
Premium on Bond	1,248,318
Other Postemployment Benefits	1,470,155
Compensated Absences	<u>1,236,485</u>
Total Liabilities	<u>32,049,062</u>

**Deferred Inflows of Resources**

Deferred Inflows - Pensions	<u>336,756</u>
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**Net Position**

Net Investment in Capital Assets	19,589,107
Restricted	6,669,864
Unrestricted	<u>2,865,076</u>
Total Net Position	<u>29,124,047</u>

**Total Liabilities, Deferred Inflows, and Net Position**

\$ 61,509,865

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
General Support	\$ 4,772,853	\$	\$	\$ (4,772,853)
Instruction	17,491,962	217,863	831,951	(16,442,148)
Pupil Transportation	1,098,828			(1,098,828)
Community Service	16,978			(16,978)
Debt Service - Unallocated Interest	870,885			(870,885)
Food Service	<u>739,917</u>	<u>76,223</u>	<u>601,446</u>	<u>(62,248)</u>
Total Functions/Programs	<u>\$ 24,991,423</u>	<u>\$ 294,086</u>	<u>\$ 1,433,397</u>	<u>(23,263,940)</u>
<b>General Revenues</b>				
Real Property Taxes				4,876,831
STAR and Other Real Property Tax Items				1,239,739
Use of Money and Property				255,487
Sale of Property and Compensation for Loss				7,509
State and Federal Sources				17,366,504
Miscellaneous				<u>888,700</u>
Total General Revenues				<u>24,634,770</u>
Change in Net Position				1,370,830
Net Position, Beginning of Year				<u>27,753,217</u>
Net Position, End of Year				<u>\$ 29,124,047</u>

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General	School Lunch	Special Aid	Debt Service	Capital	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,939,685	\$ 200,597	\$ 114,804	\$	\$ 2,422,721	\$ 4,677,807
Restricted Cash and Cash Equivalents	4,840,635			829,216		5,669,851
Cash Held in Escrow					4,806	4,806
Due From						
Other Governments	1,334,158	20,058	79,706			1,433,922
Other Funds	2,762,047	58,967		1,000,013		3,821,027
Other Receivables	126,888		93,213			220,101
Inventory		31,479				31,479
Total Assets	<u>\$ 11,003,413</u>	<u>\$ 311,101</u>	<u>\$ 287,723</u>	<u>\$ 1,829,229</u>	<u>\$ 2,427,527</u>	<u>\$ 15,858,993</u>
<b>Liabilities</b>						
Payables						
Accounts Payable	\$ 710,381	\$ 7,030	\$ 381	\$	\$ 1,318,546	\$ 2,036,338
Accrued Liabilities	38,729	1,855	13,178			53,762
Due To						
Other Governments		26	222			248
Other Funds	58,967		23,457		3,737,624	3,820,048
Teachers' Retirement System	916,025					916,025
Employees' Retirement System	70,373	2,358				72,731
Accrued Interest on Bond Anticipation Note	70,000					70,000
Short-Term Notes Payables						
Bond Anticipation Note					5,000,000	5,000,000
Unearned Credits						
Overpayments and Collections in Advance	1,535,135					1,535,135
Unearned Revenue			122,541			122,541
Total Liabilities	<u>3,399,610</u>	<u>11,269</u>	<u>159,779</u>		<u>10,056,170</u>	<u>13,626,828</u>
<b>Fund Balance</b>						
Nonspendable		31,479				31,479
Restricted	4,840,635			1,829,229		6,669,864
Assigned	1,331,048	268,353	127,944			1,727,345
Unassigned (Deficit)	<u>1,432,120</u>				<u>(7,628,643)</u>	<u>(6,196,523)</u>
Total Fund Balance (Deficit)	<u>7,603,803</u>	<u>299,832</u>	<u>127,944</u>	<u>1,829,229</u>	<u>(7,628,643)</u>	<u>2,232,165</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 11,003,413</u>	<u>\$ 311,101</u>	<u>\$ 287,723</u>	<u>\$ 1,829,229</u>	<u>\$ 2,427,527</u>	<u>\$ 15,858,993</u>

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



**SIDNEY CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2017**

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Total Governmental Fund Balances \$ 2,232,165

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	67,336,605
Accumulated Depreciation	<u>(23,168,855)</u>
	<u>44,167,750</u>

Proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Deferred Outflows - Pensions	5,303,170
Net Pension Liability - Proportionate Share	(1,202,076)
Deferred Inflows - Pensions	<u>(336,756)</u>
	<u>3,764,338</u>

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

Bonds Payable	(16,950,000)
Unamortized Premiums on Bonds	(1,352,345)
Accrued Interest on Bonds Payable	(31,221)
Other Post Employment Liabilities	(1,470,155)
Compensated Absences Payable	<u>(1,236,485)</u>
	<u>(21,040,206)</u>

**Total Net Position \$ 29,124,047**

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	General	School Lunch	Special Aid	Debt Service	Capital	Total
<b>Revenues</b>						
Real Property Taxes	\$ 4,876,831	\$	\$	\$	\$	\$ 4,876,831
STAR and Other Real Property Tax Items	1,239,739					1,239,739
Charges for Services	217,863					217,863
Use of Money and Property	229,277	137		26,073		255,487
Sale of Property and Compensation for Loss	7,509					7,509
Miscellaneous	844,496		291,583			1,136,079
State Aid	17,364,039	57,210	129,868			17,551,117
Federal Aid	2,465	544,236	702,083			1,248,784
School Lunch Sales		<u>76,223</u>				<u>76,223</u>
Total Revenues	<u>24,782,219</u>	<u>677,806</u>	<u>1,123,534</u>	<u>26,073</u>		<u>26,609,632</u>
<b>Expenditures</b>						
General Support	4,243,779				4,976,575	9,220,354
Instruction	11,003,918		1,121,994			12,125,912
Pupil Transportation	832,523					832,523
Community Service	11,269					11,269
Food Service Program		609,951				609,951
Employee Benefits	4,610,649	139,908	1,540			4,752,097
Debt Service - Principal	2,445,000					2,445,000
Debt Service - Interest	<u>994,269</u>					<u>994,269</u>
Total Expenditures	<u>24,141,407</u>	<u>749,859</u>	<u>1,123,534</u>		<u>4,976,575</u>	<u>30,991,375</u>
<b>Excess (Deficit) Revenues Over Expenditures</b>	<u>640,812</u>	<u>(72,053)</u>		<u>26,073</u>	<u>(4,976,575)</u>	<u>(4,381,743)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	500,000				500,000	1,000,000
Transfers to Other Funds	<u>(500,000)</u>			<u>(500,000)</u>		<u>(1,000,000)</u>
Total Other Financing Sources				<u>(500,000)</u>	<u>500,000</u>	
<b>Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)</b>	<u>640,812</u>	<u>(72,053)</u>		<u>(473,927)</u>	<u>(4,476,575)</u>	<u>(4,381,743)</u>
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>6,962,991</u>	<u>371,885</u>	<u>127,944</u>	<u>2,303,156</u>	<u>(3,152,068)</u>	<u>6,613,908</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ 7,603,803</u>	<u>\$ 299,832</u>	<u>\$ 127,944</u>	<u>\$ 1,829,229</u>	<u>\$ (7,628,643)</u>	<u>\$ 2,232,165</u>

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES AND**  
**EXPENDITURES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

Net Changes in Fund Balance - Total Governmental Funds	\$	(4,381,743)
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Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation and the loss on sale in the period.

	Depreciation Expense	(1,352,287)	
	Loss on Sale	(247,378)	
	Capital Outlays	<u>5,173,254</u>	3,573,589

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

	Amortized Premium	104,027	
	Repayment of Bond Principal	<u>2,445,000</u>	2,549,027

Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Change in Accrued Interest on Serial Bonds	19,357	
	Change in Other Postemployment Benefits Liability	(125,785)	
	Change in Compensated Absences	<u>(93,013)</u>	(199,441)

Changes in the proportionate share of the net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources, and therefore, are not reported as revenues or expenditures in the governmental funds.

	Teachers' Retirement System	(43,995)	
	Employees' Retirement System	<u>(126,607)</u>	(170,602)

Change in Net Position Governmental Activities	\$	<u><u>1,370,830</u></u>
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**SIDNEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

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	<u>Agency</u>
<b>Assets</b>	
Cash and Cash Equivalents - Unrestricted	\$ 227,470
Receivables	<u>496</u>
Total Assets	<u><u>\$ 227,966</u></u>
<b>Liabilities</b>	
Due to Other Funds	\$ 979
Agency Liabilities	163,851
Unearned Revenue	19,039
Extraclassroom Activity Balances	<u>44,097</u>
Total Liabilities	<u><u>\$ 227,966</u></u>

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Sidney Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

***Reporting Entity***

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

The reporting entity of the School District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

***Extraclassroom Activity Funds***

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

***Joint Venture***

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

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

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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***Basis of Presentation***

***(a) District-Wide Statements***

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

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

***(b) Fund Financial Statements***

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

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

**Special Revenue Funds:** These funds account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There are two classes of special revenue funds:

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

School Lunch Fund: This fund is used to account for and report transactions of the School District's lunch and breakfast programs.

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

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

***(c) Fiduciary Funds***

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

Private Purpose Trust Funds: These funds are used to account for and report trust arrangements in which principal and income provides annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits. Currently the District has no funds in this class.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

***Measurement Focus and Basis of Accounting***

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

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

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

***Estimates***

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

***Cash and Cash Equivalents***

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

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

***Property Taxes***

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period September 1 to October 31. The County of Delaware subsequently enforces uncollected real property taxes. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

***Receivables***

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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***Deferred Outflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions not included in pension expense.

***Interfund Transactions***

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual transactions during the year are shown in Note 13 to the financial statements.

***Inventories***

The inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

***Capital Assets***

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002 estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The School District uses capitalization thresholds of \$2,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). The School District uses the straight-line method of depreciation over the following estimated useful lives of capital assets reported in the District-wide statements:

Buildings and Improvements	40 Years
Furniture, Equipment and Vehicles	5-15 Years

***Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability or asset 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.



**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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***Vested Employee Benefits – Compensated Absences***

The School District employees are granted vacation leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to certain payments for the accumulated days as provided in contractual agreements.

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

Payment of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation leave, sick leave, and compensated absences when such payment becomes due.

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

***Other Benefits***

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 11).

***Unearned Revenue***

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

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

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

***Equity classifications***

***(a) District-Wide Financial Statements***

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

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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

**(b) Fund Statements**

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

***Non-spendable***

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

***Restricted Resources***

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The School District has established the following restricted fund balances:

- ***Retirement Contribution Reserve***

This reserve is used for the purpose of financing retirement contributions in accordance with Section 6-R of New York State General Municipal Law. This reserve is accounted for in the General Fund.

- ***Property Loss and Liability Reserve***

Property Loss Reserve and Liability Reserves (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. These reserves are accounted for in the General Fund.

- ***Tax Certiorari Reserve***

Tax Certiorari Reserve (Education Law §3651.1-a) is used to pay anticipated judgments and claims arising out of tax certiorari proceedings. Voter approval is not required provided that the monies held do not exceed the anticipated needs of the School District. If no voter approval is obtained, then any excess resources must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General Fund.

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

Reserve for Employee Benefit Accrued Liability is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

- ***Reserve for Repairs***

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

**SIDNEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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- ***Unemployment Insurance Reserve***

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

- ***Capital Projects*** - According to General Municipal Law §6-c, §6-g, 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 reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The reserve is accounted for in the General Fund.

- ***Debt Service Fund***

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

***Unrestricted Resources***

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

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2017.
- ***Assigned*** – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the District's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than Capital Fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year's budget of the General Fund is also classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** – Includes all other fund resources that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund. The unassigned also includes:

- ***Tax Reduction Reserve***

Tax Reduction Reserve (Education Law §1604(36), 1709 (37)) is gradually used to reduce real property taxes over a period not to exceed ten years. The Board of Education, without voter approval, has established this reserve with proceeds from the sale of a building with no outstanding debt. Funds may be expended without voter approval. This reserve is accounted for in the General Fund.

***(c) Order of Use of Fund Balance***

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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***New Accounting Standard***

The District changed accounting policies related to the financial statement presentation of payments in lieu of taxes agreements or tax abatement agreements by adopting *Statement of Government Accounting Standards (GASB Statement) No. 77 Tax Abatement Disclosures*, for the year ended June 30, 2017. The new pronouncement requires governments having tax abatement agreements in place to recognize their reasoning for the abatements as well as the amount of taxes abated by the agreement. In addition, GASB 77 requires the government to disclose the terms of the agreement and amounts received through the written agreement. GASB 77 also enhances accountability and transparency through revised and new note disclosures.

***Future Changes in Accounting Standards***

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

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

**2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

***(a) Long-Term Revenue Differences***

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

***(b) Capital Related Differences***

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

***(c) Long-Term Debt Transaction Differences***

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

**SIDNEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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**(d) Pension Differences**

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

**(e) Employee Benefit Allocation**

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

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Fund Balance Limitations***

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. At June 30, 2017, the School District's General Fund unassigned fund balance is 5.13% of the 2017-2018 budget.

***Statutory Debt Limit***

At June 30, 2017, the School District was in compliance with the statutory debt limit.

***Budgetary Procedures and Budgetary Accounting***

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

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

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

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

***Encumbrances***

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented assigned 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.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**4. CASH AND CASH EQUIVALENTS**

***Custodial Credit Risk***

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

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

As of June 30, 2017, the School District had bank balances of \$11,211,143 of which \$909,981 was fully insured by the FDIC. The balance of \$10,301,162 was exposed to credit risk and collateralized by securities held by an agent of the pledging financial institution in the School District's name.

***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents of in the General Fund represents the following:

Reserve for Retirement Contribution	\$ 1,181,178
Reserve for Property Loss	115,712
Reserve for Liabilities	635,557
Reserve for Tax Certiorari	563,357
Reserve for Employee Benefit Accrued Liability	805,936
Reserve for Capital	1,000,000
Reserve for Repairs	159,979
Reserve for Unemployment Insurance	378,916
Total Reserves	<u>\$ 4,840,635</u>

Restricted cash and cash equivalents of \$829,216 in the Debt Service Fund is restricted for future debt service. In addition, \$1,000,013 due from other funds is also restricted for this purpose.

***Cash Held in Escrow***

Cash held in escrow at June 30, 2017 was \$4,806.

**5. PARTICIPATION IN BOCES**

During the year, the School District was billed \$4,746,018 for BOCES' administrative and program costs. Financial statements for the BOCES are available from the BOCES' administrative office at 6678 County Road 32, Norwich, New York 13815.

During the year ended June 30, 2017, the School District issued no debt on behalf of BOCES. However, during 2007, the BOCES issued \$47,755,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of the BOCES as a lease payment included in the administrative budget of the BOCES over the term of the bonds. During 2015 the BOCES refunded the bond. The outstanding balance at June 30, 2017, was \$30,700,000.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 75,482	\$	\$	\$ 75,482
Construction in Progress	575,410	4,689,432	51,458	5,213,384
Total	650,892	4,689,432	51,458	5,288,866
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	54,767,328	248,677		55,016,005
Furniture, Equipment and Vehicles	7,055,200	286,603	310,069	7,031,734
Total	61,822,528	535,280	310,069	62,047,739
<b>Accumulated Depreciation</b>				
Buildings and Improvements	16,690,843	1,125,227		17,816,070
Furniture, Equipment and Vehicles	5,188,416	227,060	62,691	5,352,785
Total	21,879,259	1,352,287	62,691	23,168,855
<b>Net Capital Assets Being Depreciated</b>	39,943,269	(817,007)	247,378	38,878,884
<b>Net Capital Assets</b>	<u>\$ 40,594,161</u>	<u>\$ 3,872,425</u>	<u>\$ 298,836</u>	<u>\$ 44,167,750</u>

Depreciation expense of \$1,352,287 is charged as follows:

<u>Function/Program</u>	
General Support	\$ 84,357
Instruction	1,120,802
Pupil Transportation	135,017
School Lunch	12,111
Total Depreciation	<u>\$ 1,352,287</u>

**7. BUILDING LEASE**

The School District, as lessor, leases a building to Broome DDSO for use as a regional office day habilitation program for adults, for monthly payments of \$8,784. During the year ended June 30, 2017, the School District received \$105,408 in lease revenue. The term of the lease was 5 years and expired on December 31, 2016, however the lease is continuing on a month to month basis. The School District also leased classroom space to a BOCES during the 2016-2017 school year.

**8. SHORT-TERM DEBT**

The School District issued a Bond Anticipation Note (BAN) in anticipation of proceeds from the subsequent sale of bonds. This note was recorded as a current liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The following is a summary of the BANs outstanding at June 30, 2017:

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
Capital Fund					
BAN Capital Improvements	07/26/16	\$ 5,000,000	07/28/17	1.50%	\$ 5,000,000
Total					<u>\$ 5,000,000</u>

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

Changes in the School District's short-term outstanding debt for the year ended June 30, 2017, are as follows:

Description	Beginning Balance	Issued	Paid	Ending Balance
Governmental Activities				
BAN Capital Improvements	\$ 8,919,190	\$ 5,000,000	\$ 8,919,190	\$ 5,000,000

Interest costs for short-term debt for the year ended June 30, 2017, was as follows:

Interest Paid	\$ 150,564
Less: Interest Accrued in the Prior Year	(138,017)
Plus: Interest Accrued in the Current Year	70,000
Total Interest Expense on Short-Term Debt	<u>\$ 82,547</u>

**9. NONCURRENT LIABILITIES**

Noncurrent liability balances and activity are as follows for the year ended June 30, 2017:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Serial and Statutory Installment Bonds	\$19,395,000		\$ 2,445,000	\$ 16,950,000	\$ 2,535,000
Unamortized Premium on Bond	1,456,372		104,027	1,352,345	104,027
Other Liabilities					
Compensated Absences	1,143,472	93,013		1,236,485	
OPEB Liability	1,344,370	649,283	523,498	1,470,155	
Total Noncurrent Liabilities	<u>\$ 23,339,214</u>	<u>\$ 742,296</u>	<u>\$ 3,072,525</u>	<u>\$ 21,008,985</u>	<u>\$ 2,639,027</u>

**Serial Bonds**

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

Details relating to general obligation (serial) bonds of the School District outstanding at June 30, 2017, are summarized as follows:

Payable from/Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate	Outstanding Amount
General Fund					
2011 Refunding	02/25/10	4,645,000	06/05/29	2.00-4.25	\$ 1,910,000
2012 Refunding	06/15/12	12,860,000	06/15/24	1.75-5.00	7,905,000
2015 Serial Bond Buses	09/01/15	390,000	09/01/20	1.75	320,000
2016 Serial Bond Construction	06/15/16	6,920,000	06/15/30	4.00-5.00	6,815,000
Total					<u>\$ 16,950,000</u>



**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

Principal and interest payments due on serial bonds debt is as follows:

For the Year Ending June 30,	Serial Bonds & Statutory Installment Bonds		
	Principal	Interest	Total
2018	\$ 2,535,000	\$ 730,107	\$ 3,265,107
2019	2,355,000	618,056	2,973,056
2020	1,725,000	509,938	2,234,938
2021	1,785,000	455,919	2,240,919
2022	1,765,000	372,225	2,137,225
2023-2027	4,865,000	1,017,563	5,882,563
2028-2030	<u>1,920,000</u>	<u>165,900</u>	<u>2,085,900</u>
Total	<u>\$ 16,950,000</u>	<u>\$ 3,869,708</u>	<u>\$ 20,819,708</u>

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

Interest Paid	\$ 911,722
Less: Interest Accrued in the Prior Year	(50,578)
Less: Amortization of Bond Premium	(104,027)
Plus: Interest Accrued in the Current Year	<u>31,221</u>
Total Interest Expense on Long-Term Debt	<u>\$ 788,338</u>

#### **Prior-Year Defeasance of Debt**

In prior years, the School District defeased certain general obligation bonds of which the proceeds were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. At June 30, 2017, \$10,025,000 of defeased bonds were still outstanding.

#### **Debt Limit**

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

#### **Compensated Absences**

Compensated absences represent vacation and sick time that has been earned by the School District employees but not used as of June 30, 2017.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**10. PENSION PLANS**

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

**(a) Plan Description**

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

The Net Position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**(b) Contributions**

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010, but prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Employees who joined on or after April 1, 2012 must contribute at a specific percentage of earnings (between 3 and 6%) for their entire career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2017, were paid.

The required contributions for the current year and two preceding years were:

	<u>Amount</u>
2015	\$ 313,653
2016	\$ 361,221
2017	\$ 279,601

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

At June 30, 2017, the School District reported a liability of \$728,291 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the School District.

At June 30, 2017, the School District's proportion was .0077509%, which was an decrease of .0006197% from its proportion measured as of June 30, 2016.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

For the year ended June 30, 2017, the School District recognized pension expense of \$397,786. At June 30, 2017, the School District reported deferred inflows and deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 110,595	\$ 18,250
Change of assumptions		248,811
Net difference between projected and actual earnings on Pensions plan investments		145,469
Changes in proportion and differences between contributions and proportionate share of contributions	67,443	11,474
Contributions subsequent to the measurement date		<u>72,731</u>
Total	<u>\$ 178,038</u>	<u>\$ 496,735</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 118,455
2019	\$ 118,455
2020	\$ 117,197
2021	\$ (108,141)

**(d) Actuarial Assumptions**

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

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

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

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunistic portfolio	3.00%	5.89%
Real assets	3.00%	5.54%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.50%
	100.00%	

**(e) Discount Rate**

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension liability (assets) \$	2,326,018	728,291	(622,584)

**(g) Pension Plan Fiduciary Net Position**

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

**(h) Payables to the Pension Plan**

The School District has recorded an amount due to ERS in amount of \$72,731 at June 30, 2017. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2017-2018 billing cycle and has been recorded as a liability in the current year.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**(a) Plan Description**

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

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**(b) Contributions**

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

The required employer contributions for the current year and two preceding years were:

	<u>Amount</u>
2015	\$ 1,248,377
2016	\$ 972,623
2017	\$ 838,621

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

At June 30, 2017, the School District reported a liability of \$473,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the School District's proportion was .044236 percent, which was a decrease of .003172 percent from its proportion measured as of June 30, 2015.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

For the year ended June 30, 2017, the School District recognized a pension expense of \$815,309. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 153,912	\$
Changes of assumptions		2,698,982
Net difference between projected and actual earnings on Pensions plan investments		1,065,318
Changes in proportion and differences between contributions and proportionate share of contributions	4,806	203,514
Contributions subsequent to the measurement date		838,621
Total	<u>\$ 158,718</u>	<u>\$ 4,806,435</u>

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

Year ended June 30:	
2017	\$ 361,151
2018	\$ 361,151
2019	\$ 1,188,507
2020	\$ 931,092
2021	\$ 444,146
Thereafter	\$ 523,049

**(d) Actuarial Assumptions**

The total pension liability at June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the June 30, 2015 valuation were as follows:

Investment Rate	
of Return	7.5 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service.
	They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually.
Inflation rate	2.5%

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	37.0%	6.1%
International equity	18.0%	7.3%
Real estate	10.0%	5.4%
Alternative investments	7.0%	9.2%
Domestic fixed income securities	17.0%	1.0%
Global fixed income securities	2.0%	0.8%
Mortgages	8.0%	3.1%
Short-term	1.0%	0.1%

\* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

**(e) Discount Rate**

The discount rate used to calculate the total pension (asset)/liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents School District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability (assets) \$	\$ 6,181,604	\$ 473,785	\$ (4,313,634)

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**(g) Pension Plan Fiduciary Net Position**

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

**(h) Payables to the Pension Plan**

The employer portion of the amount included in due to TRS was \$838,621. This amount was recorded in the General Fund at June 30, 2017 and represents the contribution for the 2016-17 fiscal year that will be made in 2017-18 and has been accrued as an expenditure in the current year.

**11. POSTEMPLOYMENT HEALTH CARE BENEFITS**

**(a) Plan Description**

The School District offers eligible actives, retirees, and some dependents' medical coverage in a fully-insured indemnity medical plan administered by Excellus BlueCross BlueShield. Currently, there are 230 current and former employees participating in the District's Other Postemployment Benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements as follows:

Eligibility	All active employees and retirees who reach age 55 with a minimum of 7-20 years of service to the District, depending on bargaining group.
Benefit Cost Sharing	The School District pays 50-100% of the plan premium.
Spouse Cost Sharing	Not covered by most employee groups. The School District pays 50-100% of the plan premium in cases where they are covered.
Surviving Spouse Cost Sharing	Surviving spouse pays full cost.

**(b) Funding Policy**

The obligations of the Plan members, employers, and other entities are established by action of the School District pursuant to applicable collective bargaining and employment agreements. The School District's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the School District. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation.

**(c) Annual OPEB Cost and Net OPEB Obligation**

	Total
Normal Cost	\$ 317,637
Amortization of UAAL	344,655
Interest	<u>13,246</u>
Annual required contribution (ARC)	675,538
Interest on OPEB Obligation	40,331
Adjustment to ARC	<u>(66,586)</u>
Annual OPEB Cost (Expense)	649,283
Contributions Made	<u>(523,498)</u>
Change in Net OPEB Obligation	125,785
Net OPEB Obligation at the Beginning of the Year	<u>1,344,370</u>
Net OPEB Obligation at the End of the Year	<u><u>\$ 1,470,155</u></u>



**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**(d) Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Net OPEB Cost</u>	<u>OPEB Expense Contributed</u>	<u>% of Expense Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 635,035	\$ 466,248	73.4%	\$ 1,197,864
June 30, 2016	\$ 644,370	\$ 497,864	77.3%	\$ 1,344,370
June 30, 2017	\$ 649,283	\$ 523,498	80.6%	\$ 1,470,155

**(e) Funding Status**

	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 8,253,112
Actuarial Value of Assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 8,253,112</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%
 Covered Payroll	 <u>\$ 8,714,825</u>
UAAL as a Percentage of Covered Payroll	94.7%

**(f) Actuarial Methods and Assumptions**

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

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Salary
Amortization Discount	3%
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016
Medical Trend	See Below
Retirement Rates and Termination	Based on experience under the NYS and Local Retirement System and NYS Teacher's Retirement System
Per Capita Claim Costs	Based on total projected claims by age and gender
Participation Rate	100% of Future Retirees will Elect the Benefit
Spousal Coverage	80% Married Retirees, Male 3 Years Older Than Female
Amortization Period In Remaining Years	21

The Entry Age Normal actuarial cost method was used effective July 1, 2016.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**(g) Health Care Trend Factors**

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

<u>Year</u>	<u>Medical Trend</u>
2018	6.50%
2019	6.00%
2020	5.50%
2021	5.00%
2022	4.50%

**12. FUND BALANCE**

(a) The following is a summary of the change in General Fund restricted fund balance during the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
General Fund				
Retirement Contribution	\$ 1,180,849	\$ 329	\$	\$ 1,181,178
Property Loss	115,651	61		115,712
Liability	635,225	332		635,557
Tax Certiorari	586,105	145	22,893	563,357
Employee Benefit Accrued Liability	805,772	164		805,936
Capital	1,000,000			1,000,000
Repairs	159,947	32		159,979
Unemployment Insurance	378,718	198		378,916
	<u>\$ 4,862,267</u>	<u>\$ 1,261</u>	<u>\$ 22,893</u>	<u>\$ 4,840,635</u>

(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at June 30, 2017:

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Total</u>
<b>Nonspendable</b>	<u>\$</u>	<u>\$ 31,479</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 31,479</u>
<b>Restricted</b>						
Repair Reserve	159,979					159,979
Liability Reserve	635,557					635,557
Unemployment Reserve	378,916					378,916
Property Loss Reserve	115,712					115,712
Retirement Contribution Reserve	1,181,178					1,181,178
Employee Benefit Accrued Liability Reserve	805,936					805,936
Capital Reserve	1,000,000					1,000,000
Tax Certiorari Reserve	563,357					563,357
Debt Service Fund				1,829,229		1,829,229
<b>Total Restricted</b>	<u>4,840,635</u>			<u>1,829,229</u>		<u>6,669,864</u>
<b>Assigned</b>						
Instruction			127,944			127,944
School Lunch Fund		268,353				268,353
Encumbrances	95,585					95,585
Appropriated for Subsequent Year's Budget	1,235,463					1,235,463
<b>Total Assigned</b>	<u>1,331,048</u>	<u>268,353</u>	<u>127,944</u>			<u>1,727,345</u>
<b>Unassigned (Deficit)</b>						
Reserve for Tax Reduction	57,072					57,072
Unassigned (Deficit)	1,375,048				(7,628,643)	(6,253,595)
<b>Total Unassigned (Deficit)</b>	<u>1,432,120</u>				<u>(7,628,643)</u>	<u>(6,196,523)</u>
<b>Total Fund Equity (Deficit)</b>	<u>\$ 7,603,803</u>	<u>\$ 299,832</u>	<u>\$ 127,944</u>	<u>\$ 1,829,229</u>	<u>\$ (7,628,643)</u>	<u>\$ 2,232,165</u>

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**13. INTERFUND TRANSACTIONS**

Fund	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 2,762,047	\$ 58,967	\$ 500,000	\$ 500,000
School Lunch	58,967			
Special Aid		23,457		
Debt Service	1,000,013			500,000
Capital Fund		3,737,624	500,000	
Trust and Agency		979		
Total	<u>\$ 3,821,027</u>	<u>\$ 3,821,027</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

- All interfund payables are expected to be repaid within one year.
- Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.
- The School District transferred \$500,000 from the Debt Service Fund to the General Fund for debt service expenditures.
- The School District transferred \$500,000 from the General Fund to the Capital Fund for voter approved capital projects.

**14. RISK MANAGEMENT**

***General Information***

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

***Risk Financing and Related Insurance***

***(a) Health Insurance Plan***

The Sidney Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. School District administers and participates in the Catskill Area Schools Employee Benefit Plan (CASEBP) consisting of 20 other governmental entities for their health coverage. Entities joining the plans must remain members for a minimum of one year; a member may withdraw from the plans after that time by submitting a notice of withdrawal 30 days prior to the plans' year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plans' assets were to be exhausted, members would be responsible for the plan's liabilities. The plans use 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 plans establish a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Consortiums are shared-risk public entity risk pools whereby each entity pays annual premiums as follows: Health Consortium - Monthly premium from individual members based on the type of coverage selected. Premiums paid to the Health Consortium totaled \$3,406,457 for the year ended June 30 2017. Paid claims are accounted for in the aggregate with individual entity activity not being tracked separately.

***(b) Other Risks***

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

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**15. CONTINGENCIES AND COMMITMENTS**

***Construction Commitments***

At June 30, 2017, the School District had various construction commitments outstanding on ongoing capital projects. The total voter authorization for these projects was \$22,368,252. At June 30, 2017, the School District has expended \$15,553,871 of the total capital project authorizations. The remaining commitment is contingent on the contractor's performance and will be funded through State Building Aid and/or permanent financing.

***Potential Grantor Liability***

The School 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 audits, the School District's administration believes disallowances, if any, will be immaterial.

***Encumbrances***

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2017, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. The General Fund encumbrances are reflected as part of the assigned fund balance. The Capital Projects Fund had no outstanding encumbrances at June 30, 2017. The other encumbrances are not reflected on the fund financial statements because the assignment would result in a negative unassigned fund balance.

**16. FUND DEFICITS**

***Capital Fund***

The District's Capital Fund had a deficit fund balance of \$7,628,643 at June 30, 2017. The deficit will be eliminated when the current appropriations are made or financed with long term debt.

**17. TAX ABATEMENT**

The County of Delaware Industrial Development Agency and the Village of Sidney Industrial Development Agency enter into property tax abatement programs for the purpose of economic development. For the year ended June 30, 2017 the School District's property tax revenue was reduced by \$11,983 as a result of these tax abatement agreements. For the year ended June 30, 2017 the School District received payment in lieu of taxes (PILOTs) totaling \$114,682.

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
<b>Revenues</b>					
Local Sources					
Real Property Taxes	\$ 6,075,250	\$ 6,075,250	\$ 4,876,831		\$ (1,198,419)
STAR and Other Real Property Tax Items	47,225	47,225	1,239,739		
Charges for Services	142,000	142,000	217,863		75,863
Use of Money and Property	122,000	122,000	229,277		107,277
Sale of Property and Compensation for Loss	18,500	18,500	7,509		(10,991)
Miscellaneous	332,250	332,250	844,496		512,246
State Aid	17,809,077	17,809,077	17,364,039		(445,038)
Federal Aid	35,000	35,000	2,465		(32,535)
Total Revenues	24,581,302	24,581,302	24,782,219		200,917
<b>Other Financing Sources</b>					
Transfers from Other Funds	700,000	700,000	500,000		(200,000)
Appropriated Fund Balance	911,354	911,354			(911,354)
Total Revenues and Other Financing Sources	<u>\$ 26,192,656</u>	<u>\$ 26,192,656</u>	<u>25,282,219</u>		<u>\$ (910,437)</u>
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
<b>Expenditures</b>					
General Support					
Board of Education	\$ 38,766	\$ 79,494	73,524	\$	\$ 5,970
Central Administration	274,823	268,956	256,118	5,123	7,715
Finance	513,408	461,374	444,289		17,085
Staff	303,000	257,747	226,961	390	30,396
Central Services	2,773,227	2,759,273	2,546,543	79,033	133,697
Special Items	686,500	674,466	696,344		(21,878)
Total General Support	4,589,724	4,501,310	4,243,779	84,546	172,985
Instruction					
Instruction, Administration, and Improvement	687,532	828,619	815,276		13,343
Teaching - Regular School	5,814,394	5,693,893	5,597,916	10,265	85,712
Programs for Children With Special Needs	1,658,034	2,182,747	2,129,252		53,495
Occupational Education	525,000	539,618	539,618		
Teaching - Special School	16,500	1,500			1,500
Instructional Media	1,053,607	1,034,302	1,000,580		33,722
Pupil Services	937,964	950,449	921,276		29,173
Total Instruction	10,693,031	11,231,128	11,003,918	10,265	216,945
Pupil Transportation	1,013,280	819,022	832,523	774	(14,275)
Community Services	16,600	17,393	11,269		6,124
Employee Benefits	6,035,021	4,685,196	4,610,649		74,547
Debt Service - Principal	2,945,000	2,445,075	2,445,000		75
Debt Service - Interest	900,000	1,067,098	994,269		72,829
Total Expenditures	26,192,656	24,766,222	24,141,407	95,585	529,230
<b>Other Financing Uses</b>					
Transfers to Other Funds		1,426,434	500,000		926,434
Total Expenditures and Other Financing Uses	<u>\$ 26,192,656</u>	<u>\$ 26,192,656</u>	<u>24,641,407</u>	<u>\$ 95,585</u>	<u>\$ 1,455,664</u>
<b>Net Change in Fund Balance</b>			640,812		
<b>Fund Balance - Beginning of Year</b>			6,962,991		
<b>Fund Balance - End of Year</b>			<u>\$ 7,603,803</u>		

Notes to Required Supplementary Information:

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

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

See Independent Auditor's Report

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULES OF FUNDING PROGRESS OF THE OTHER POSTEMPLOYMENT BENEFITS**  
**For the Year Ended June 30, 2017**

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Fiscal Year End	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit*	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
June 30, 2017	\$	\$ 8,253,112	\$ 8,253,112	0%	\$ 8,714,825	94.70%
June 30, 2016	\$	\$ 6,198,170	\$ 6,198,170	0%	\$ 9,000,283	68.87%
June 30, 2015	\$	\$ 6,198,170	\$ 6,198,170	0%	\$ 9,000,283	68.87%

\* The Entry Age Normal Method is used beginning July 1, 2016.

See Independent Auditor's Report

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS**  
For the Year Ended June 30, 2017

<b>ERS Pension Plan</b>										
<b>Last 10 Fiscal Years</b>										
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contractually Required Contribution	\$ 279,601	\$ 361,221	\$ 313,653	\$ 388,477	\$ 395,280	\$ 290,520	\$ 227,612	\$ 134,540	\$ 175,262	\$ 165,574
Contributions in Relation to the Contractually Required Contribution	<u>279,601</u>	<u>361,221</u>	<u>313,653</u>	<u>388,477</u>	<u>395,280</u>	<u>290,520</u>	<u>227,612</u>	<u>134,540</u>	<u>175,262</u>	<u>165,574</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
School District's Covered-ERS Employee Payroll	\$ 1,948,422	\$ 2,052,242	\$ 1,999,795	\$ 2,128,325	\$ 2,148,494	\$ 2,052,134	\$ 2,059,766	\$ 2,068,688	\$ 2,110,084	\$ 1,980,069
Contributions as a Percentage of Covered-Employee Payroll	14.35%	17.60%	15.68%	18.25%	18.40%	14.16%	11.05%	6.50%	8.31%	8.36%
<b>TRS Pension Plan</b>										
<b>Last 10 Fiscal Years</b>										
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contractually Required Contribution	\$ 838,621	\$ 972,623	\$ 1,248,377	\$ 1,153,093	\$ 814,705	\$ 688,903	\$ 550,954	\$ 433,342	\$ 525,429	\$ 623,368
Contributions in Relation to the Contractually Required Contribution	<u>838,621</u>	<u>972,623</u>	<u>1,248,377</u>	<u>1,153,093</u>	<u>814,705</u>	<u>688,903</u>	<u>550,954</u>	<u>433,342</u>	<u>525,429</u>	<u>623,368</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
School District's Covered-TRS Employee Payroll	\$ 7,155,469	\$ 7,335,015	\$ 7,152,793	\$ 7,095,955	\$ 6,880,956	\$ 6,200,746	\$ 6,391,581	\$ 7,000,681	\$ 6,886,352	\$ 7,140,527
Contributions as a Percentage of Covered-Employee Payroll	11.72%	13.26%	17.45%	16.25%	11.84%	11.11%	8.62%	6.19%	7.63%	8.73%

See Independent Auditor's Report

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Year Ended June 30, 2017**

**ERS Pension Plan**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/liability	0.0077509%	0.0083706%	0.0076579%	0.0076579%
District's proportionate share of the net pension asset (liability)	\$ (728,291)	\$ (1,343,509)	\$ (258,704)	\$ (346,052)
District's covered-employee payroll	\$ 1,948,422	\$ 2,052,242	\$ 1,999,795	\$ 2,128,325
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-37.38%	-65.47%	-12.94%	-16.26%
Plan fiduciary net position as a percentage of total pension liability	94.7%	90.7%	97.9%	97.2%

**TRS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the net pension asset/liability	0.044236%	0.047408%	0.048038%	0.046976%
District's proportionate share of the net pension asset (liability)	\$ (473,785)	\$ 4,924,213	\$ 5,351,129	\$ 309,220
District's covered-employee payroll	\$ 7,335,015	\$ 7,152,793	\$ 7,095,955	\$ 6,880,956
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-06.46%	68.84%	75.41%	04.49%
Plan fiduciary net position as a percentage of total pension liability	99.01%	110.46%	111.48%	100.70%

\* Information is only presented for years available

See Independent Auditor's Report



**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET**  
**AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**  
**For the Year Ended June 30, 2017**

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**Change from Adopted Budget to Revised Budget**

Adopted Budget	\$ 26,131,302
Add: Prior Year's Encumbrances	<u>61,354</u>
Original Budget	<u>26,192,656</u>
Final Budget	<u>\$ 26,192,656</u>

**Section 1318 of Real Property Tax Law Limit Calculation**

2017-18 Voter-Approved Expenditure Budget	<u>\$ 26,778,081</u>
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Maximum Unassigned Fund Balance Allowed (4% of 2017-18 Budget)	<u>\$ 1,071,123</u>
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General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :

Unrestricted fund balance:

Assigned fund balance	\$ 1,331,048
Unassigned fund balance	<u>1,432,120</u>
Total unrestricted fund balance	<u>2,763,168</u>

Less:

Appropriated fund balance	1,235,463
Tax Reduction Reserve	57,072
Encumbrances included in assigned fund balance	<u>95,585</u>
Total adjustments	<u>1,388,120</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,375,048</u>
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Actual Percentage	5.13%
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**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2017**

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance (Deficit) June 30, 2017
			Prior Years	Current Year	Total		Proceeds of Obligations	Federal and State Aid	Local Sources	Total	
Excel Renovation Project - 2012	\$ 2,596,000	\$ 2,596,000	\$ 2,577,725	\$	\$ 2,577,725	\$ 18,275	\$ 2,130,000	\$ 345,268	\$ 102,457	\$ 2,577,725	\$
Masonville Roof Project	85,000	100,632	100,632		100,632				100,632	100,632	
Capital Improvements - District Wide	21,885,000	21,885,000	10,503,843	4,789,462	15,293,305	6,591,695	4,790,000	14,700	2,449,359	7,254,059	(8,039,246)
District Wide - Local	300,000	300,000	73,453	3,861	77,314	222,686			64,407	64,407	(12,907)
District Wide -2016 Local	100,000	102,457		102,457	102,457				102,457	102,457	
Smart Bond - 2017	45,795	45,795		45,795	45,795						(45,795)
Energy Rebate - 2017	35,000	35,000		35,000	35,000						(35,000)
Improvements - 2017 Local	500,000	500,000							500,000	500,000	500,000
Buses - 2015	390,000	385,695	385,695		385,695		390,000			390,000	4,305
<b>Totals</b>	<u>\$ 25,936,795</u>	<u>\$ 25,950,579</u>	<u>\$ 13,641,348</u>	<u>\$ 4,976,575</u>	<u>\$ 18,617,923</u>	<u>\$ 6,832,656</u>	<u>\$ 7,310,000</u>	<u>\$ 359,968</u>	<u>\$ 3,319,312</u>	<u>\$ 10,989,280</u>	<u>\$ (7,628,643)</u>

See Independent Auditor's Report

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**For the Year Ended June 30, 2017**

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Capital Assets, Net	\$ 44,167,750
Add:	
Capital Fund Restricted Cash	2,422,721
Cash Held in Escrow	<u>4,806</u>
	<u>2,427,527</u>
Deduct:	
Accrued Liabilities	1,318,546
Due to Other Funds	3,737,624
Bond Anticipation Notes	5,000,000
Serial Bonds Payable	<u>16,950,000</u>
	<u>27,006,170</u>
Net Investment in Capital Assets	<u>\$ 19,589,107</u>

See Independent Auditor's Report

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

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Board of Education  
Sidney Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney Central School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 13, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sidney 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 Sidney Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sidney 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the school district's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*D'Arcangelo + Co., LLP*

October 13, 2017

Rome, New York

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

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

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Sidney Central School District

**Report on Compliance for Each Major Federal Program**

We have audited Sidney Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017. Sidney Central School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Sidney Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

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

*D'Arcangelo + Co., LLP*

October 13, 2017

Rome, New York

**SIDNEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Current Year Expenditures
<u><b>U.S. Department of Agriculture</b></u>			
(Passed Through the State Education Department of the State of New York- Pass-Through Grantor No. 082001-04-0000)			
Food Donation (Noncash)	10.555	N/A	\$ 41,803
School Breakfast Program	10.553	N/A	120,762
National School Lunch Program	10.555	N/A	345,146
National Snack Program	10.555	N/A	21,330
Summer Food Service Program	10.559	N/A	15,195
Total Cash Assistance Subtotal			<u>502,433</u>
Total U.S. Department of Agriculture (Total Nutrition Cluster)			<u>544,236</u>
<u><b>U.S. Department of Education</b></u>			
(Passed Through the State Education Department of the State of New York)			
Title I Grants to Local Education Agencies (Part A of ESEA)	84.010	0021-16-0620	2,318
Title I Grants to Local Education Agencies (Part A of ESEA)	84.010	0021-17-0620	274,368
Title I Grants to Local Education Agencies (Part A of ESEA)	84.010	0011-17-2124	92,751
Total			<u>369,437</u>
Special Education - Grants to States (IDEA, Part B)	84.027	0032-17-0165	284,909
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-17-0165	5,898
Total Special Education Cluster (IDEA)			<u>290,807</u>
Improving Teacher Quality State Grants (Title II, Part A)	84.367	0147-16-0620	24,448
Improving Teacher Quality State Grants (Title II, Part A)	84.367	0147-17-0620	12,657
Total			<u>37,105</u>
Rural Education Achievement Program	84.358	0006-16-0620	4,734
Total U.S Department of Education			<u>702,083</u>
<u>Total Federal Financial Assistance</u>			<u>\$ 1,246,319</u>

See Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.



**SIDNEY CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Sidney Central School District. The School District's organization is defined in Note 1 to the School District's financial statements.

***Basis of Accounting***

The expenditures in the accompanying schedule are presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. FOOD DONATION**

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2017, the School District had food commodities totaling \$21,843 in inventory.

**3. INDIRECT COST RATE**

The School District has not elected to use the 10% de minimis indirect cost rate.

**SIDNEY CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS  
 For the Year Ended June 30, 2017**

***Summary of Auditor's Results***

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>U.S. Department of Education</u>  Special Education Cluster CFDA #84.027 Special Education - Grants to States (IDEA, Part B) CFDA #84.173 Special Education - Preschool Grants (IDEA, Preschool)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

***Findings - Financial Statements Audit***

None noted in the current year.

***Findings and Questioned Costs - Major Federal Award Programs Audit***

None noted in the current year.

**SIDNEY CENTRAL SCHOOL DISTRICT  
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED  
COSTS – FEDERAL COMPLIANCE REQUIREMENTS  
For the Year Ended June 30, 2017**

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No findings were noted in the audit for the year ended June 30, 2016.

## FORM OF BOND COUNSEL'S OPINION

July 27, 2018

Sidney Central School District,  
Counties Delaware, Chenango and Otsego,  
State of New York

Re: Sidney Central School District, Delaware, Chenango and Otsego Counties, New York  
\$11,498,077 Bond Anticipation Notes, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$11,498,077 Bond Anticipation Notes, 2018 (the "Obligation"), of the Sidney Central School District, Delaware, Chenango and Otsego Counties, New York (the "Obligor"), dated July 27, 2018, numbered 1, of the denomination of \$11,498,077, bearing interest at the rate of \_\_\_% per annum, payable at maturity, and maturing on July 10, 2019.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

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

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

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

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

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

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP