

July 12, 2019



# ERRATUM NOTICE

## \$14,000,000

### HANNIBAL CENTRAL SCHOOL DISTRICT OSWEGO AND CAYUGA COUNTIES, NEW YORK

#### \$14,000,000 BOND ANTICIPATION NOTES, 2019

Dated: July 31, 2019

Due: July 31, 2020

The Official Statement for the above-referenced issue selling via competitive bid on July 17, 2019 has been revised to reflect the estimated Building Aid to be received as estimated by the New York State Department of Education. The New York State Department of Education Building Aid Estimate was received by the District on July 11, 2019:

- The estimated amount of building aid to be received by the District is updated from \$16,854,590 to \$17,643,776.

Furthermore, the following sections of the Official Statement have accordingly been revised to state:

#### Debt Statement Summary

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

|   |    |             |
|---|----|-------------|
| Full Valuation of Taxable Real Property ..... | \$ | 287,348,573 |
| Debt Limit 10% thereof .....                  |    | 28,734,857  |

#### Inclusions:

|                               |    |                   |
|-------------------------------|----|-------------------|
| Bonds .....                   | \$ | 16,280,000        |
| Bond Anticipation Notes ..... |    | 0                 |
| Principal of this Issue ..... |    | <u>14,000,000</u> |

|                        |    |            |
|------------------------|----|------------|
| Total Inclusions ..... | \$ | 30,280,000 |
|------------------------|----|------------|

#### Exclusions:

|                                   |    |                   |
|-----------------------------------|----|-------------------|
| Building Aid <sup>(1)</sup> ..... | \$ | <u>17,643,776</u> |
| Total Exclusions .....            | \$ | <u>17,643,776</u> |

|                              |    |                   |
|------------------------------|----|-------------------|
| Total Net Indebtedness ..... | \$ | <u>12,636,224</u> |
|------------------------------|----|-------------------|

|                                   |    |                   |
|-----------------------------------|----|-------------------|
| Net Debt-Contracting Margin ..... | \$ | <u>16,098,633</u> |
|-----------------------------------|----|-------------------|

|  |  |        |
|--|--|--------|
| The percent of debt contracting power exhausted is ..... |  | 43.98% |
|--|--|--------|

- <sup>(1)</sup> New York State Education Department Building Aid Estimate. The District receives New York State Building aid in an amount approximating 95.0% of the debt service on its indebtedness incurred for past building projects and 98.0% for indebtedness incurred for the current building project. The District has no reason to believe that it will not ultimately receive all of the Building aid it anticipates, however, no assurance can be given as to when and how much Building aid the District will receive.

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

## Debt Ratios

The following table sets forth certain ratios relating to the District's Net Indebtedness as of July 12, 2019:

|   | <u>Amount</u> | <u>Per<br/>Capita</u> <sup>(a)</sup> | <u>Percentage of<br/>Full Value</u> <sup>(b)</sup> |
|---|---------------|--------------------------------------|--|
| Net Indebtedness <sup>(c)</sup> .....                                   | \$ 12,636,224 | \$ 1,633.01                          | 4.40%  |
| Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> ..... | 13,380,990    | 1,729.26                             | 4.66   |

(a) The current population of the District is estimated to be 7,738. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for the 2018-2019 fiscal year is \$287,348,573. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

(d) The District's applicable share of Net Overlapping Indebtedness is estimated to be \$744,766. (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.

## PRELIMINARY OFFICIAL STATEMENT

### **NEW ISSUE**

### **BOND ANTICIPATION NOTES**

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

The Notes will NOT be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.



# **\$14,000,000**

## **HANNIBAL CENTRAL SCHOOL DISTRICT OSWEGO AND CAYUGA COUNTIES, NEW YORK**

### **GENERAL OBLIGATIONS**

**CUSIP BASE #: 410684**

## **\$14,000,000 Bond Anticipation Notes, 2019**

(referred to herein as the "Notes")

**Dated: July 31, 2019**

**Due: July 31, 2020**

The Notes are general obligations of the Hannibal Central School District, Oswego and Cayuga 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 "THE NOTES - Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

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

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), on or about July 31, 2019.

**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<sup>th</sup>, 2019 by no later than 11:15 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 10, 2019

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



# HANNIBAL

CENTRAL SCHOOL DISTRICT

**OSWEGO AND CAYUGA COUNTIES, NEW YORK**

## **SCHOOL DISTRICT OFFICIALS**

### **2019-2020 BOARD OF EDUCATION**

MICHAEL LAFURNEY

President

JACK POPE

Vice President

VERN COLE  
CARL M. EMMONS, JR.  
GREG HILTON  
CHRISTOPHER LONG  
JESSICA MCNEIL

\* \* \* \* \*

CHRISTOPHER STAATS

Superintendent of Schools

NANCY DINGMAN

Executive Director for Business Administration

JEAN M. FORD

School District Treasurer

LISA M. SHORTSLEF

School District Clerk

BETHANY CENTRONE

School District Attorney



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor



**TRESPASZ & MARQUARDT, LLP**

BOND COUNSEL

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

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PREPARED WITH THE ASSISTANCE OF



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

**OFFICIAL STATEMENT**  
**of the**  
**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**OSWEGO AND CAYUGA COUNTIES, NEW YORK**  
**Relating To**  
**\$14,000,000 Bond Anticipation Notes, 2019**

This Official Statement, which includes the cover page, has been prepared by the Hannibal Central School District, Oswego and Cayuga Counties, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$14,000,000 principal amount of Bond Anticipation Notes, 2019 (the "Notes").

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

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

**THE NOTES**

**Description of the Notes**

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

The Notes are dated July 31, 2019 and will mature, without option of prior redemption, on July 31, 2020. The Notes will be issued in either (i) the name of the purchaser, in denominations of \$5,000 or integral multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**No Optional Redemption**

The Notes are not subject to redemption prior to maturity.

**Purpose of Issue**

The Notes are issued pursuant to the Constitution and Status of the State of New York, including the Education Law and the Local Finance Law, Pursuant to a bond resolution duly adopted by the Board of Education on June 12, 2019 authorizing the issuance of \$35,012,248 serial bonds to finance the renovations and improvement to Fairley Elementary School, Kenney Middle School and High School, reconstruction and improvement of the baseball/softball fields and facilities and running track, demolish the existing bus garage, acquire an approximately 7 acre parcel of land on County Route 34 and construct a new bus maintenance facility thereon.

The proceeds of the Notes will provide \$14,000,000 new monies for the above mentioned purpose.

## Nature of the Obligation

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

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Certificated Notes**

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

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

## THE SCHOOL DISTRICT

### General Information

The Hannibal Central School District, Oswego and Cayuga Counties, New York (the “School District” or “District”, “Counties”, and “State”, respectively) is located in upstate New York, with approximately 80% of its territory situated in the western sector of Oswego County. The balance of approximately 20% is located in the northern sector of Cayuga County. The District has a land area of approximately 100 square miles.

The City of Oswego is 10 miles to the north, the City of Fulton 10 miles to the east and the City of Syracuse approximately 30 miles southeast. Major highways bisecting the School District include State Routes #3, 34, 38 and 104.

The District is primarily residential and agricultural in nature with commercial and professional services afforded School District residents in the Village of Hannibal, as well as in the aforementioned Cities. The District is the sole major employer with 281 full-time employees.

Source: District officials.

### Population

The current estimated population of the District is 7,738. (Source: 2017 U.S. Census Bureau.)

### Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the below listed Towns, Counties and State. The figures set below with respect to such Towns and Counties is included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Towns or the Counties are 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>2013-2017</u> | <u>2000</u>                 | <u>2006-2010</u> | <u>2013-2017</u> |
| Towns of:    |                          |                  |                  |                             |                  |                  |
| Hannibal     | \$ 16,344                | \$ 17,794        | \$ 20,001        | \$ 38,355                   | \$ 56,274        | \$ 53,646        |
| Granby       | 16,826                   | 24,051           | 31,445           | 41,127                      | 47,386           | 62,109           |
| Oswego       | 14,835                   | 14,609           | 20,615           | 61,648                      | 56,636           | 81,510           |
| Sterling     | 15,912                   | 19,569           | 31,104           | 38,125                      | 47,448           | 63,854           |
| Counties of: |                          |                  |                  |                             |                  |                  |
| Oswego       | 16,853                   | 21,604           | 25,791           | 43,821                      | 56,364           | 62,176           |
| Cayuga       | 18,003                   | 22,959           | 25,957           | 44,973                      | 58,761           | 66,728           |
| State of:    |                          |                  |                  |                             |                  |                  |
| New York     | 23,389                   | 30,948           | 31,177           | 51,691                      | 67,405           | 70,850           |

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

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

### Five Largest Employers

| <u>Name</u>                      | <u>Type</u>       | <u>Employees</u> |
|----------------------------------|-------------------|------------------|
| Hannibal Central School District | Public Education  | 281              |
| Tops                             | Grocery           | 45               |
| Acro-Fab Ltd                     | Metal Fabricators | 31               |
| Town of Hannibal                 | Municipality      | 30               |

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 Oswego, Onondaga, and Oneida. 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 and State are necessarily representative of the District, or vice versa.

| <u>Annual Average</u>  |             |             |             |             |             |             |             |            |            |            |            |            |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|
|                        | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |            |            |            |            |            |
| Oswego County          | 11.0%       | 9.9%        | 8.1%        | 7.2%        | 6.4%        | 6.5%        | 5.5%        |            |            |            |            |            |
| Cayuga County          | 8.3         | 7.4         | 6.0         | 5.3         | 5.1         | 5.1         | 4.5         |            |            |            |            |            |
| New York State         | 8.5         | 7.7         | 6.3         | 5.3         | 4.8         | 4.7         | 4.1         |            |            |            |            |            |
| <u>Monthly Figures</u> |             |             |             |             |             |             |             |            |            |            |            |            |
|                        | <u>2018</u> |             |             |             |             |             | <u>2019</u> |            |            |            |            |            |
|                        | <u>Jun</u>  | <u>Jul</u>  | <u>Aug</u>  | <u>Sep</u>  | <u>Oct</u>  | <u>Nov</u>  | <u>Dec</u>  | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> |
| Oswego County          | 5.3%        | 5.1%        | 4.6%        | 4.1%        | 4.0%        | 4.5%        | 5.5%        | 6.5%       | 6.2%       | 5.7%       | 4.8%       | 4.8%       |
| Cayuga County          | 4.2         | 4.3         | 4.1         | 3.5         | 3.5         | 3.6         | 4.3         | 5.1        | 5.0        | 4.8        | 3.9        | 3.8        |
| New York State         | 4.1         | 4.2         | 4.0         | 3.6         | 3.6         | 3.5         | 3.9         | 4.6        | 4.4        | 4.1        | 3.6        | 3.8        |

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

## Form of School Government

The legislative power of the District is vested in the Board of Education (the "Board"). The Board consists of seven elected members serving overlapping five-year terms. During the first ten days of July each year, the Board meets for the purpose of reorganization. At that time, an election is held within the Board to elect a President and Vice President and to appoint other District officials.

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Executive Director for Business Administration and the School District Treasurer. The duties of the administrative officers of the District include the implementation of the policies of the Board and the supervision of the operation of the school system.

## Investment Policy

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

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) savings accounts or money market accounts of designated banks; (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in New York State; Obligations of New York State; Obligations of the United States Government (U.S. Treasury Bills and Notes); (4) repurchase agreements involving the purchase and sale of direct obligations of the United States; (5) all funds except reserve funds may be invested in revenue anticipation notes or tax anticipation notes of other school districts and municipalities, with the approval of the State Comptroller and (6) only reserve funds may be invested in obligations of the District.

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

## **Budgetary Procedures**

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the District for the ensuing fiscal year (tentative budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

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

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

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

### *Recent Budget Vote Results*

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 246 to 75. The adopted budget called for a total tax levy increase of 0.5% which was below the District’s Tax Cap of 3.61%.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 189 to 48. The District’s adopted budget for 2019-20 fiscal year will remain with the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 0.5%, which is below the District tax levy limit of 4.375%.

## **State Aid**

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 74.53% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

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

### *Potential reductions in Federal aid received by the State.*

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

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

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

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

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

#### *Building aid*

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 98.0% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

#### *State aid history*

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

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

*School district fiscal year (2016-2017):* The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District received \$89,298 in State aid to be used on community schools activities.

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 \$4.8 million. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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

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

#### *State Aid Litigation*

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

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

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

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

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

### State Aid Revenues

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

| <u>Fiscal Year</u>    | <u>Total Revenues</u> <sup>(1)</sup> | <u>Total State Aid</u> | <u>Total Revenues<br/>Consisting of State Aid</u> |
|-----------------------|--------------------------------------|------------------------|---|
| 2013-2014             | \$ 29,311,890                        | \$ 22,177,444          | 75.66%  |
| 2014-2015             | 28,307,566                           | 21,178,894             | 74.82   |
| 2015-2016             | 29,661,701                           | 22,201,380             | 74.85   |
| 2016-2017             | 31,152,369                           | 23,585,438             | 75.71   |
| 2017-2018             | 31,611,270                           | 24,099,784             | 76.24   |
| 2018-2019 (Budgeted)  | 31,609,773                           | 24,566,216             | 77.72   |
| 2018-2019 (Unaudited) | 33,261,000                           | 24,566,216             | 73.86   |
| 2019-2020 (Budgeted)  | 34,216,000                           | 25,500,996             | 74.53   |

<sup>(1)</sup> General fund only, includes inter-fund transfers and use of reserve funds.

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

### District Facilities

| <u>Name</u>                        | <u>Grades</u> | <u>Capacity</u> | <u>Year(s) Built/Additions</u>           |
|------------------------------------|---------------|-----------------|--|
| Fairley School                     | K-4           | 575             | 1957, '67, '03, '05 & '10                |
| Dennis M. Kenney Middle School     | 5-8           | 462             | 1964, '87, '03 & '10                     |
| Hannibal Junior-Senior High School | 9-12          | 461             | 1933, '51, '54, '58, '67, '87, '96 & '10 |

Source: District officials.

### Enrollment Trends

| <u>School Year</u> | <u>Actual<br/>Enrollment</u> | <u>School Year</u> | <u>Projected<br/>Enrollment</u> |
|--------------------|------------------------------|--------------------|---------------------------------|
| 2014-15            | 1,329                        | 2019-20            | 1,460                           |
| 2015-16            | 1,359                        | 2020-21            | 1,465                           |
| 2016-17            | 1,405                        | 2021-22            | 1,465                           |
| 2017-18            | 1,449                        | 2022-23            | 1,465                           |
| 2018-19            | 1,459                        | 2023-24            | 1,465                           |

Source: District officials.

## Employees

The District employs a total of 281 full-time and 78 part-time employees with representation by the various bargaining units listed below:

| <u>Number of Employees</u> | <u>Bargaining Unit</u>  | <u>Contract Expiration Date</u> |
|----------------------------|---|---------------------------------|
| 9                          | Hannibal Administrator-Supervisory Association                          | June 30, 2021                   |
| 136                        | Hannibal Faculty Association  | June 30, 2021                   |
| 63                         | Civil Service Employees' Association (CSEA)                             | June 30, 2019 <sup>(1)</sup>    |
| 13                         | Hannibal Central School Association of Educational Office Professionals | June 30, 2021                   |
| 57                         | Hannibal Employees' Association   | June 30, 2022                   |

<sup>(1)</sup> Currently under negotiation

Source: District officials.

## Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% 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%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years, and the budgeted figures for the 2019-2020 fiscal year are as follows:

| <u>Fiscal Year</u>   | <u>ERS</u> | <u>TRS</u>   |
|----------------------|------------|--------------|
| 2013-2014            | \$ 427,003 | \$ 1,114,102 |
| 2014-2015            | 426,077    | 1,485,131    |
| 2015-2016            | 406,698    | 1,757,286    |
| 2016-2017            | 333,485    | 1,344,211    |
| 2017-2018            | 360,873    | 1,255,752    |
| 2018-2019            | 363,169    | 1,100,799    |
| 2019-2020 (Budgeted) | 475,000    | 1,200,000    |

Source: District Officials.



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 (2016 to 2020) is shown below:

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

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

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

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

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

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

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

## Other Post Employee Benefits

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

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

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

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

Summary of Changes from the Last Valuation. The District contracted with Capital Region BOCES to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

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

|  |                      |
|--|----------------------|
| Balance at June 30, 2017:                          | <u>\$ 41,797,262</u> |
| <u>Changes for the year:</u>                       |                      |
| Service cost                                       | 945,699              |
| Interest   | 1,478,468            |
| Differences between expected and actual experience | 0                    |
| Changes of benefit terms                           | 0                    |
| Changes in assumptions                             | (2,089,863)          |
| Benefit payments                                   | <u>(998,555)</u>     |
| Net Changes  | <u>(664,251)</u>     |
| Balance at June 30, 2018:                          | <u>\$ 41,133,011</u> |

Source: Audited financial statements of the District. The above tables are not audited. For additional information see "APPENDIX - D" attached hereto.

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

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

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

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

| <b><i>Annual OPEB Cost and Net OPEB Obligation:</i></b> | <b><u>2016</u></b>  | <b><u>2017</u></b>  |
|---|---------------------|---------------------|
| Annual required contribution (ARC)                      | \$ 1,500,496        | \$ 1,773,605        |
| Interest on net OPEB obligation                         | 384,860             | 407,866             |
| Adjustment to ARC                                       | <u>(288,295)</u>    | <u>(305,529)</u>    |
| Annual OPEB cost (expense)                              | 1,597,016           | 1,875,942           |
| Contributions made                                      | <u>(1,136,951)</u>  | <u>(1,014,193)</u>  |
| Increase in net OPEB obligation                         | 460,065             | 861,749             |
| Net OPEB obligation - beginning of year                 | <u>7,697,200</u>    | <u>8,157,310</u>    |
| Net OPEB obligation - end of year                       | <u>\$ 8,157,310</u> | <u>\$ 9,019,059</u> |
| Percentage of annual OPEB cost contributed              | 71.2%               | 54.1%               |

***Funding Status:***

|  |                      |                      |
|--|----------------------|----------------------|
| Actuarial Accrued Liability (AAL)            | \$ 20,279,720        | \$ 26,850,705        |
| Actuarial Value of Assets                    | <u>0</u>             | <u>0</u>             |
| Unfunded Actuarial Accrued Liability (UAAL)  | <u>\$ 20,279,720</u> | <u>\$ 26,850,705</u> |
| Funded Ratio (Assets as a Percentage of AAL) | 0.0%                 | 0.0%                 |

| <u>Fiscal</u><br><u>Year Ended</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| 2017                               | \$ 1,875,942                      | 54.1%   | \$ 9,019,059                         |
| 2016                               | 1,597,061                         | 71.2  | 8,157,310                            |
| 2015                               | 1,539,510                         | 68.9  | 7,697,200                            |

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

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

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

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

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

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

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

## Other Information

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

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

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

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

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

## Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and is attached hereto as "APPENDIX – D". In addition, 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. See "New York State Comptroller Report of Examination" herein. 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.

### *Unaudited Results for Fiscal Year Ending June 30, 2019*

The District expects to conclude the fiscal year ending June 30, 2019 with an unappropriated unreserved fund balance of approximately \$1,500,000. Summary unaudited projected information for the General Fund for the period ending June 30, 2019 is as follows:

|  |                     |
|--|---------------------|
| Projected Revenues:                                    | \$ 33,250,000       |
| Projected Expenditures:                                | <u>31,750,000</u>   |
| Projected Excess (Deficit) Revenues Over Expenditures: | <u>\$ 1,500,000</u> |
| Total General Fund Balance at June 30, 2018:           | \$ 1,448,506        |
| Total Projected General Fund Balance at June 30, 2019: | \$ 1,500,000        |

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

Source: District Officials

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## 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 its most recent audit report of the District on April 7, 2017. The purpose of the audit was to assess the District's financial condition for the period July 1, 2015 through August 31, 2016. Key findings and recommendations of the audit report are summarized below:

### Key Findings:

- District officials overestimated operating expenditures in each of the last three fiscal years and appropriated nearly \$5 million in fund balance, 97 percent of which was not needed to fund operations.
- The District's unrestricted fund balance annually exceeded the statutory limit.
- The Board has not developed an effective multiyear financial or capital plan to define how reserves and unrestricted fund balance in the general and debt service funds will be used.

### Key Recommendations:

- Develop realistic estimates of appropriations and the use of fund balance in the annual budget.
- Ensure that the amount of the District's fund balance is in compliance with statutory limits and reduce the amount of fund balance in a manner that benefits District residents.
- Develop comprehensive multiyear financial and capital plans.

A copy of the complete report can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

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

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

## The State Comptroller's Fiscal Stress Monitoring System

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

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

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

| <u>Fiscal Year Ending In</u> | <u>Stress Designation</u> | <u>Fiscal Score</u> |
|------------------------------|---------------------------|---------------------|
| 2018                         | No Designation            | 0.0%                |
| 2017                         | No Designation            | 8.3%                |
| 2016                         | No Designation            | 0.0%                |

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

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

## TAX INFORMATION

### Taxable Assessed Valuations

| <u>Fiscal Year Ending June 30:</u> | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           | <u>2018</u>           | <u>2019</u>           |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Towns of:                          |                       |                       |                       |                       |                       |
| Hannibal                           | \$ 141,435,157        | \$ 142,448,587        | \$ 143,010,335        | \$ 143,715,892        | \$ 144,471,252        |
| Oswego                             | 33,336,775            | 33,669,151            | 33,246,876            | 33,645,399            | 33,725,610            |
| Granby                             | 46,540,379            | 46,504,783            | 46,642,122            | 46,875,561            | 50,965,180            |
| Sterling                           | 49,267,815            | 49,512,734            | 51,628,931            | 52,296,390            | 52,313,114            |
| Total Assessed Values              | <u>\$ 270,580,126</u> | <u>\$ 272,135,255</u> | <u>\$ 274,528,264</u> | <u>\$ 276,533,242</u> | <u>\$ 281,475,156</u> |
| State Equalization Rates           |                       |                       |                       |                       |                       |
| Towns of:                          |                       |                       |                       |                       |                       |
| Hannibal                           | 100.00%               | 100.00%               | 100.00%               | 100.00%               | 97.00%                |
| Oswego                             | 100.00%               | 100.00%               | 100.00%               | 96.00%                | 96.00%                |
| Granby                             | 100.00%               | 95.00%                | 95.00%                | 95.00%                | 100.00%               |
| Sterling                           | 100.00%               | 100.00%               | 100.00%               | 100.00%               | 100.00%               |
| Total Taxable Full Valuation       | <u>\$ 270,580,126</u> | <u>\$ 274,582,875</u> | <u>\$ 276,983,113</u> | <u>\$ 280,402,268</u> | <u>\$ 287,348,573</u> |

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

| <u>Fiscal Year Ending June 30:</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Towns of:                          |             |             |             |             |             |
| Hannibal                           | \$ 24.14    | \$ 23.88    | \$ 23.76    | \$ 23.58    | \$ 23.84    |
| Oswego                             | 24.14       | 23.88       | 23.76       | 24.56       | 24.08       |
| Granby                             | 24.14       | 25.13       | 25.01       | 24.82       | 23.12       |
| Sterling                           | 24.14       | 23.88       | 23.76       | 23.58       | 23.11       |

### Tax Collection Procedure

Tax payments are due September 1<sup>st</sup>. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged From October 2<sup>nd</sup> to October 31<sup>st</sup>. After November 15<sup>th</sup>, uncollected taxes are returnable to Oswego and Cayuga Counties for collection. The District receives this amount from said Counties prior to the end of the District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by said Counties.

### Tax Levy and Tax Collection Record

| <u>Fiscal Year Ending June 30:</u> | <u>2015</u>  | <u>2016</u>  | <u>2017</u>  | <u>2018</u>  | <u>2019</u>  |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Tax Levy                     | \$ 6,531,755 | \$ 6,555,922 | \$ 6,580,890 | \$ 6,610,504 | \$ 6,643,557 |
| Amount Uncollected <sup>(1)</sup>  | 620,880      | 798,634      | 738,264      | 554,511      | 705,269      |
| % Uncollected                      | 9.51%        | 12.18%       | 11.22%       | 8.39%        | 10.62%       |

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

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## 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> <sup>(1)</sup> | <u>Total Real Property Taxes and Tax Items</u> | <u>Percentage of Total Revenues Consisting of Real Property Tax</u> |
|-----------------------|--------------------------------------|--|---|
| 2013-2014             | \$ 22,177,444                        | \$ 6,483,132                                   | 29.23%  |
| 2014-2015             | 28,307,566                           | 6,531,755                                      | 23.07   |
| 2015-2016             | 29,661,701                           | 6,555,922                                      | 22.10   |
| 2016-2017             | 31,152,369                           | 6,580,890                                      | 21.12   |
| 2017-2018             | 31,611,270                           | 6,654,302                                      | 21.05   |
| 2018-2019 (Budgeted)  | 31,609,773                           | 6,643,557                                      | 21.02   |
| 2018-2019 (Unaudited) | 33,261,000                           | 6,643,557                                      | 19.97   |
| 2019-2020 (Budgeted)  | 34,216,000                           | 6,676,775                                      | 19.51   |

<sup>(1)</sup> General fund only, includes inter-fund transfers and use of reserve funds.

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

## Larger Taxpayers 2018 for 2018-19 Tax Roll

| <u>Name</u>                       | <u>Type</u>            | <u>Taxable Full Valuation</u> |
|-----------------------------------|------------------------|-------------------------------|
| Niagara Mohawk, DBA National Grid | Utility                | \$ 10,496,351                 |
| Rochester Gas & Electric          | Utility                | 1,654,476                     |
| Patrick Furlong Sr                | Home Sales/Rentals     | 1,615,000                     |
| Citizens Telecom                  | Utility                | 1,347,132                     |
| Hyland Partners                   | Rentals                | 1,218,800                     |
| Raymond Harvey                    | Waterfront Development | 1,132,000                     |
| Limestone Ridge                   | Home Sales/Land Leases | 1,013,000                     |
| Dario Stipisic                    | Mobile Homes           | 930,000                       |
| Hannibal Acquisitions LLC         | Commercial (grocery)   | 900,000                       |
| William Joyce Sr                  | Residence/Agriculture  | 902,800                       |

The ten larger taxpayers listed above have a total taxable assessed valuation of \$21,209,559 which represents 7.4% of the tax base of the District.

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

Source: District Tax Rolls

## STAR – School Tax Exemption

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

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

The below table lists the basic and enhanced exemption amounts that will apply to the 2018-19 school district tax roll for the municipalities applicable to the District:

| <u>Towns of:</u> | <u>Enhanced Exemption</u> | <u>Basic Exemption</u> | <u>Date Certified</u> |
|------------------|---------------------------|------------------------|-----------------------|
| Hannibal         | \$ 66,640                 | \$ 29,100              | 4/9/2019              |
| Oswego           | 65,950                    | 28,800                 | 4/9/2019              |
| Granby           | 68,700                    | 30,000                 | 4/9/2019              |
| Sterling         | 68,700                    | 30,000                 | 4/9/2019              |

\$1,692,043 of the District's \$6,610,504 school tax levy for 2017-18 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January, 2018.

\$1,659,535 of the District's \$6,643,557 school tax levy for the 2018-19 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2019.

#### **Additional Tax Information**

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

Senior Citizens' exemptions are offered to those who qualify.

The total valuation of the District is estimated to be categorized as follows: Residential-40%, Agricultural-50% and Commercial- 10%.

The average tax bill for a \$75,000 average market-value residential property located in the District is \$2,933 including County, Town, School District and Fire District taxes.

#### **TAX LEVY LIMITATION LAW**

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

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

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

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

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



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

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

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". Press reports indicate that NYSUT is reviewing the decision and is likely to appeal to the Court of Appeals.

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

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

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

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

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

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

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

## STATUS OF INDEBTEDNESS

### Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment 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 has the power to contract indebtedness for any District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment rolls by the equalization rates established by the State Office of Real Property Services in accordance with applicable State law.

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

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

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

- (1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations

and an action contesting such validity, is commenced within twenty days after the date of such publication or,

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

The District has complied with this estoppel procedure in connection with the Notes.

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

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

#### Debt Outstanding End of Fiscal Year

| <u>Fiscal Years Ending June 30<sup>th</sup>:</u> | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          | <u>2020</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Bonds  | \$ 26,950,000        | \$ 23,855,000        | \$ 20,675,000        | \$ 17,400,000        | \$ 14,055,000        |
| Bond Anticipation Notes                          | <u>0</u>             | <u>0</u>             | <u>0</u>             | <u>0</u>             | <u>0</u>             |
| Total Debt Outstanding                           | <u>\$ 26,950,000</u> | <u>\$ 23,855,000</u> | <u>\$ 20,675,000</u> | <u>\$ 17,400,000</u> | <u>\$ 14,055,000</u> |

#### Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 10, 2019:

| <u>Type of Obligation</u>      | <u>Maturity</u>        | <u>Amount</u>        |
|--------------------------------|------------------------|----------------------|
| <u>Bonds</u>                   | 2019-2028              | \$ 16,280,000        |
| <u>Bond Anticipation Notes</u> | ---                    | <u>0</u>             |
|                                | Total Debt Outstanding | <u>\$ 16,280,000</u> |

#### Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared as of July 10, 2019:

|   |                |
|---|----------------|
| Full Valuation of Taxable Real Property ..... | \$ 287,348,573 |
| Debt Limit 10% thereof .....                  | 28,734,857     |

##### Inclusions:

|                               |                   |
|-------------------------------|-------------------|
| Bonds.....                    | \$ 16,280,000     |
| Bond Anticipation Notes ..... | 0                 |
| Principal of this Issue ..... | <u>14,000,000</u> |

Total Inclusions ..... \$ 30,280,000

##### Exclusions:

Building Aid <sup>(1)</sup> .....\$ 16,854,590

Total Exclusions ..... \$ 16,854,590

Total Net Indebtedness .....\$ 13,425,410

Net Debt-Contracting Margin .....\$ 15,309,447

The percent of debt contracting power exhausted is ..... 46.72%

- <sup>(1)</sup> Estimated building aid exclusion not including building aid on the current building project. A building aid exclusion for the District has been requested from the State Education Department. As of the date of this Official Statement, the estimated building aid exclusion has not been confirmed by the State Education Department. The District receives New York State Building aid in an amount approximating 95.0% of the debt service on its indebtedness incurred for past building projects and 98.0% for indebtedness incurred for the current building project. The District has no reason to believe that it will not ultimately receive all of the Building aid it anticipates, however, no assurance can be given as to when and how much Building aid the District will receive.

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

## Bonded Debt Service

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

## Cash Flow Borrowings

The District has not issued tax or revenue anticipation notes since the 2010-11 fiscal year. The District does not currently anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future.

## Capital Project Plans

On November 29, 2017, District residents approved a \$42 million capital improvement project consisting of renovations and improvements to the Fairley Elementary School, Kenney Middle School and High School, reconstruction and improvements to the baseball/softball fields and facilities and running track, demolishing the existing bus garage, the acquisition of an approximately 7-acre parcel of land on County Route 34 and construction a new bus maintenance facility. The District plans on utilizing \$5,000,000 of Capital Reserve Funds, \$1,987,752 of Smart Schools Bond monies, and available State aid (98%) to fund the project. The District has authorized the issuance of up to \$35,012,248 obligations to finance the project. The renovations will come at no cost to District taxpayers, as the project is fully funded through a combination of State aid and the District's existing capital reserve fund. The District expects to break ground for phase one in June 2019, with an anticipated completion date in the spring of 2020. Construction for the second phase will start in March 2020, with a closeout date anticipated in the spring of 2021. For the fiscal year ending June 30, 2019 the District will be transferring \$1 million to the capital fund to further reduce the amount needed to borrow for the current project. The proceeds of the Notes represent the first borrowing against the above mentioned authorization and will provide \$14,000,000 new monies for the above mentioned project.

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

## Estimated Overlapping Indebtedness

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

| <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:          |                             |  |                                  |                         |                       |                                |
| Oswego              | 12/31/2017                  | \$ 9,522,203                             | \$ 1,157,203                     | \$ 8,365,000            | 3.73%                 | \$ 312,015                     |
| Cayuga              | 12/31/2017                  | 60,284,926                               | 30,624,686                       | 29,660,240              | 1.10%                 | 326,263                        |
| Town of:            |                             |  |                                  |                         |                       |                                |
| Hannibal            | 12/31/2017                  | 7,748,800                                | 7,748,800                        | -                       | 99.98%                | -                              |
| Oswego              | 12/31/2017                  | 750,000                                  | -                                | 750,000                 | 14.11%                | 105,825                        |
| Granby              | 12/31/2017                  | 7,643,682                                | 7,640,082                        | 3,600                   | 18.43%                | 663                            |
| Sterling            | 12/31/2017                  | 1,212,000                                | 1,212,000                        | -                       | 23.34%                | -                              |
| Village of:         |                             |  |                                  |                         |                       |                                |
| Hannibal            | 5/31/2018                   | -  | -                                | -                       | 100.00%               | -                              |
| Total:              |                             |  |                                  |                         |                       | <u>\$ 744,766</u>              |

<sup>(1)</sup> Bonds and bond anticipation notes as of close of the 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.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2017 for the Counties and Towns and 2018 for the Village listed above.

## Debt Ratios

The following table sets forth certain ratios relating to the District's Net Indebtedness as of July 10, 2019:

|   | <u>Amount</u> | <u>Per<br/>Capita</u> <sup>(a)</sup> | <u>Percentage of<br/>Full Value</u> <sup>(b)</sup> |
|---|---------------|--------------------------------------|--|
| Net Indebtedness <sup>(c)</sup> .....                                   | \$ 13,425,410 | \$ 1,735.00                          | 4.67%  |
| Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> ..... | 14,200,176    | 1,835.12                             | 4.94   |

(a) The current population of the District is estimated to be 7,738. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for the 2018-2019 fiscal year is \$287,348,573. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

(d) The District's applicable share of Net Overlapping Indebtedness is estimated to be \$1,155,347. (See "Estimated Overlapping Indebtedness" herein.)

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

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

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

**Default Litigation.** In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial 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.

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## **MARKET AND RISK FACTORS**

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

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

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

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District could have an impact upon the operations of the school budget, its ratings and hence the market price of the Notes. (See "TAX LEVY LIMITATION LAW" herein.)

## **TAX MATTERS**

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

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

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

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

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

## **LEGAL MATTERS**

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

## **LITIGATION**

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

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

## **CONTINUING DISCLOSURE**

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

## **Historical Compliance**

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

## **MUNICIPAL ADVISOR**

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

## **CUSIP IDENTIFICATION NUMBERS**

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



## **RATING**

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

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

## **MISCELLANEOUS**

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

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

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

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

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

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

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

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

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](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: Nancy Dingman, School District Business Manager, Hannibal Central School District, 928 Cayuga Street, Hannibal, New York 13074, Phone: (315) 564-8100 x5000, Fax: (315) 564-5067, Email: [ndingman@hannibalcsd.org](mailto:ndingman@hannibalcsd.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) and [www.fiscaladvisorsauction.com](http://www.fiscaladvisorsauction.com).

**HANNIBAL CENTRAL SCHOOL DISTRICT**

**Dated: July 10, 2019**

**MICHAEL LAFURNEY**  
**PRESIDENT OF THE BOARD OF EDUCATION AND**  
**CHIEF FISCAL OFFICER**

GENERAL FUND

Balance Sheets

| <u>Fiscal Year Ending June 30:</u>  | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>ASSETS</u>                       |                      |                      |                      |                      |                      |
| Unrestricted Cash                   | \$ 4,526,730         | \$ 4,854,146         | \$ 5,172,008         | \$ 2,787,987         | \$ 3,057,967         |
| Restricted Cash                     | 6,531,724            | 7,234,990            | 8,022,737            | 12,055,351           | 8,192,033            |
| State and Federal Aid Receivable    | -                    | -                    | -                    | -                    | -                    |
| Due from Other Funds                | 120,275              | 447,894              | 257,145              | 291,974              | 391,642              |
| Due from Other Governments          | 3,003,164            | 1,296,934            | 1,231,357            | 1,719,788            | 1,609,745            |
| Other Receivables                   | 82,683               | 87,515               | 33,087               | 31,118               | 32,562               |
| TOTAL ASSETS                        | <u>\$ 14,264,576</u> | <u>\$ 13,921,479</u> | <u>\$ 14,716,334</u> | <u>\$ 16,886,218</u> | <u>\$ 13,283,949</u> |
| <u>LIABILITIES AND FUND EQUITY</u>  |                      |                      |                      |                      |                      |
| Accounts Payable                    | \$ 569,106           | \$ 439,621           | \$ 708,534           | \$ 1,097,548         | \$ 1,386,071         |
| Accrued Liabilities                 | 743,542              | 391,193              | 246,286              | 191,170              | 144,249              |
| Due to Other Funds                  | -                    | 19,224               | -                    | -                    | 49,614               |
| Deferred Revenues                   | -                    | -                    | -                    | -                    | -                    |
| Due to Other Governments            | 75,511               | 75,511               | 75,511               | 75,511               | 64,238               |
| Due to Teachers' Retirement System  | 1,485,590            | 1,758,983            | 1,346,980            | 1,261,502            | 1,107,205            |
| Due to Employees' Retirement System | 153,689              | 105,008              | 92,213               | 110,655              | 99,110               |
| Compensated Absences                | 292,406              | 328,301              | 445,475              | -                    | -                    |
| Notes Payable                       | -                    | -                    | -                    | -                    | -                    |
| TOTAL LIABILITIES                   | <u>\$ 3,319,844</u>  | <u>\$ 3,117,841</u>  | <u>\$ 2,914,999</u>  | <u>\$ 2,736,386</u>  | <u>\$ 2,850,487</u>  |
| <u>FUND EQUITY</u>                  |                      |                      |                      |                      |                      |
| Nonspendable                        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Restricted                          | 6,531,724            | 7,234,990            | 8,022,737            | 12,055,351           | 8,192,033            |
| Assigned                            | 1,798,385            | 2,199,221            | 1,970,168            | 1,448,506            | 1,292,635            |
| Unassigned                          | 2,614,623            | 1,369,427            | 1,808,430            | 645,975              | 948,794              |
| TOTAL FUND EQUITY                   | <u>\$ 10,944,732</u> | <u>\$ 10,803,638</u> | <u>\$ 11,801,335</u> | <u>\$ 14,149,832</u> | <u>\$ 10,433,462</u> |
| TOTAL LIABILITIES and FUND EQUITY   | <u>\$ 14,264,576</u> | <u>\$ 13,921,479</u> | <u>\$ 14,716,334</u> | <u>\$ 16,886,218</u> | <u>\$ 13,283,949</u> |

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

**GENERAL FUND**

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

| Fiscal Years Ending June 30:                | <u><b>2014</b></u>   | <u><b>2015</b></u>   | <u><b>2016</b></u>   | <u><b>2017</b></u>   | <u><b>2018</b></u>   |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u><b>REVENUES</b></u>                      |                      |                      |                      |                      |                      |
| Real Property Taxes                         | \$ 4,622,975         | \$ 4,717,517         | \$ 4,736,854         | \$ 4,798,546         | \$ 4,909,897         |
| STAR & Other Property Tax Items             | 1,909,034            | 1,856,712            | 1,866,989            | 1,857,668            | 1,744,405            |
| Charges for Services                        | 2,081                | 6,465                | 2,306                | 2,774                | 2,064                |
| Use of Money & Property                     | 13,370               | 9,093                | 6,864                | 53,859               | 133,810              |
| Sale of Property and                        |                      |                      |                      |                      |                      |
| Compensation for Loss                       | 12,182               | 47,397               | 11,763               | 90,064               | 42,740               |
| Miscellaneous                               | 541,532              | 428,547              | 419,179              | 583,775              | 472,207              |
| Interfund Revenues                          | -                    | -                    | -                    | -                    | -                    |
| Revenues from State Sources                 | 22,177,444           | 21,178,894           | 22,201,380           | 23,585,438           | 24,099,784           |
| Revenues from Federal Sources               | 33,272               | 62,941               | 83,536               | 67,124               | 106,363              |
| Total Revenues                              | <u>\$ 29,311,890</u> | <u>\$ 28,307,566</u> | <u>\$ 29,328,871</u> | <u>\$ 31,039,248</u> | <u>\$ 31,511,270</u> |
| Other Sources:                              |                      |                      |                      |                      |                      |
| Interfund Transfers                         | <u>-</u>             | <u>-</u>             | <u>332,830</u>       | <u>113,121</u>       | <u>100,000</u>       |
| Total Revenues and Other Sources            | <u>\$ 29,311,890</u> | <u>\$ 28,307,566</u> | <u>\$ 29,661,701</u> | <u>\$ 31,152,369</u> | <u>\$ 31,611,270</u> |
| <u><b>EXPENDITURES</b></u>                  |                      |                      |                      |                      |                      |
| General Support                             | \$ 4,576,792         | \$ 3,804,212         | \$ 3,919,935         | \$ 3,895,728         | \$ 3,876,520         |
| Instruction                                 | 11,823,044           | 12,777,845           | 13,467,571           | 13,660,726           | 14,537,550           |
| Pupil Transportation                        | 1,505,996            | 1,103,431            | 1,696,798            | 2,105,194            | 2,356,359            |
| Community Services                          | -                    | -                    | -                    | -                    | -                    |
| Employee Benefits                           | 5,804,527            | 5,876,011            | 5,697,542            | 5,230,251            | 5,641,636            |
| Debt Service                                | 3,943,873            | 4,472,161            | 3,882,158            | 3,877,300            | 3,873,906            |
| Total Expenditures                          | <u>\$ 27,654,232</u> | <u>\$ 28,033,660</u> | <u>\$ 28,664,004</u> | <u>\$ 28,769,199</u> | <u>\$ 30,285,971</u> |
| Other Uses:                                 |                      |                      |                      |                      |                      |
| Interfund Transfers                         | <u>-</u>             | <u>415,000</u>       | <u>-</u>             | <u>34,674</u>        | <u>5,041,669</u>     |
| Total Expenditures and Other Uses           | <u>27,654,232</u>    | <u>28,448,660</u>    | <u>28,664,004</u>    | <u>28,803,873</u>    | <u>35,327,640</u>    |
| Excess (Deficit) Revenues Over Expenditures | <u>1,657,658</u>     | <u>(141,094)</u>     | <u>997,697</u>       | <u>2,348,496</u>     | <u>(3,716,370)</u>   |
| <u><b>FUND BALANCE</b></u>                  |                      |                      |                      |                      |                      |
| Fund Balance - Beginning of Year            | 9,287,074            | 10,944,732           | 10,803,638           | 11,801,335           | 14,149,832           |
| Prior Period Adjustments (net)              | <u>-</u>             | <u>-</u>             | <u>-</u>             | <u>1</u>             | <u>-</u>             |
| Fund Balance - End of Year                  | <u>\$ 10,944,732</u> | <u>\$ 10,803,638</u> | <u>\$ 11,801,335</u> | <u>\$ 14,149,832</u> | <u>\$ 10,433,462</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:

|  | 2018                 |                      |                      | 2019                 | 2020                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | Adopted<br>Budget    | Modified<br>Budget   | Actual               | Adopted<br>Budget    | Adopted<br>Budget    |
| <b>REVENUES</b>                                |                      |                      |                      |                      |                      |
| Real Property Taxes & Tax Items                | \$ 6,610,504         | \$ 4,916,116         | \$ 4,909,897         | \$ 6,643,557         | \$ 6,676,775         |
| STAR & Other Property Tax Items                | -                    | 1,694,388            | 1,744,405            | -                    | -                    |
| Charges for Services                           | -                    | -                    | 2,064                | -                    | -                    |
| Use of Money & Property                        | -                    | -                    | 133,810              | -                    | -                    |
| Sale of Property and<br>Compensation for Loss  | -                    | -                    | 42,740               | -                    | -                    |
| Miscellaneous                                  | 400,000              | 406,760              | 472,207              | 400,000              | 400,000              |
| Interfund Revenues                             | -                    | -                    | -                    | -                    | -                    |
| Revenues from State Sources                    | 23,575,000           | 23,575,000           | 24,099,784           | 24,566,216           | 25,500,996           |
| Revenues from Federal Sources                  | -                    | -                    | 106,363              | -                    | -                    |
| Total Revenues                                 | <u>\$ 30,585,504</u> | <u>\$ 30,592,264</u> | <u>\$ 31,511,270</u> | <u>\$ 31,609,773</u> | <u>\$ 32,577,771</u> |
| Other Sources:                                 |                      |                      |                      |                      |                      |
| Debt Service                                   | -                    | -                    | -                    | -                    | 25,000               |
| Appropriated Reserves                          | -                    | -                    | -                    | -                    | 445,000              |
| Interfund Transfers                            | -                    | -                    | 100,000              | -                    | -                    |
| Total Revenues and Other Sources               | <u>\$ 30,585,504</u> | <u>\$ 30,592,264</u> | <u>\$ 31,611,270</u> | <u>\$ 31,609,773</u> | <u>\$ 33,047,771</u> |
| <b>EXPENDITURES</b>                            |                      |                      |                      |                      |                      |
| General Support                                | \$ 4,440,097         | \$ 4,378,593         | \$ 3,876,520         | \$ 4,419,000         | \$ 4,556,100         |
| Instruction                                    | 15,726,870           | 15,899,072           | 14,537,550           | 16,126,500           | 16,440,900           |
| Pupil Transportation                           | 1,952,043            | 2,463,295            | 2,356,359            | 2,015,500            | 2,325,000            |
| Community Services                             | -                    | -                    | -                    | -                    | -                    |
| Employee Benefits                              | 6,770,000            | 6,113,747            | 5,641,636            | 6,740,000            | 6,934,000            |
| Debt Service                                   | 3,900,000            | 3,900,000            | 3,873,906            | 3,900,000            | 3,900,000            |
| Total Expenditures                             | <u>\$ 32,789,010</u> | <u>\$ 32,754,707</u> | <u>\$ 30,285,971</u> | <u>\$ 33,201,000</u> | <u>\$ 34,156,000</u> |
| Other Uses:                                    |                      |                      |                      |                      |                      |
| Interfund Transfers                            | 60,000               | 5,101,063            | 5,041,669            | 60,000               | 60,000               |
| Total Expenditures and Other Uses              | <u>32,849,010</u>    | <u>37,855,770</u>    | <u>35,327,640</u>    | <u>33,261,000</u>    | <u>34,216,000</u>    |
| Excess (Deficit) Revenues Over<br>Expenditures | <u>(2,263,506)</u>   | <u>(7,263,506)</u>   | <u>(3,716,370)</u>   | <u>(1,651,227)</u>   | <u>(1,168,229)</u>   |
| <b>FUND BALANCE</b>                            |                      |                      |                      |                      |                      |
| Fund Balance - Beginning of Year               | 2,263,506            | 7,263,506            | 14,149,832           | 1,651,227            | 1,168,229            |
| Prior Period Adjustments (net)                 | -                    | -                    | -                    | -                    | -                    |
| Fund Balance - End of Year                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 10,433,462</u> | <u>\$ -</u>          | <u>\$ -</u>          |

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

**APPENDIX - B**  
**Hannibal CSD**

**BONDED DEBT SERVICE**

| Fiscal Year<br>Ending<br>June 30th |               |              |               |  |
|------------------------------------|---------------|--------------|---------------|--|
|                                    | Principal     | Interest     | Total         |  |
| 2020                               | \$ 3,345,000  | \$ 527,100   | \$ 3,872,100  |  |
| 2021                               | 3,045,000     | 433,638      | 3,478,638     |  |
| 2022                               | 2,830,000     | 332,263      | 3,162,263     |  |
| 2023                               | 2,930,000     | 233,613      | 3,163,613     |  |
| 2024                               | 1,600,000     | 160,113      | 1,760,113     |  |
| 2025                               | 1,660,000     | 112,738      | 1,772,738     |  |
| 2026                               | 1,715,000     | 61,675       | 1,776,675     |  |
| 2027                               | 135,000       | 8,250        | 143,250       |  |
| 2028                               | 140,000       | 4,200        | 144,200       |  |
| TOTALS                             | \$ 17,400,000 | \$ 1,873,588 | \$ 19,273,588 |  |

**CURRENT BONDS OUTSTANDING**

| Fiscal Year<br>Ending<br>June 30th | 2012                         |           |              |
|------------------------------------|------------------------------|-----------|--------------|
|                                    | Series A Refunding of 2003 A |           |              |
|                                    | Principal                    | Interest  | Total        |
| 2020                               | \$ 690,000                   | \$ 20,100 | \$ 710,100   |
| 2021                               | 315,000                      | 6,300     | 321,300      |
| TOTALS                             | \$ 1,005,000                 | \$ 26,400 | \$ 1,031,400 |

| Fiscal Year<br>Ending<br>June 30th | 2012                         |            |              | 2012                         |           |            |
|------------------------------------|------------------------------|------------|--------------|------------------------------|-----------|------------|
|                                    | Series A Refunding of 2003 A |            |              | Series B Refunding of 2003 B |           |            |
|                                    | Principal                    | Interest   | Total        | Principal                    | Interest  | Total      |
| 2020                               | \$ 1,120,000                 | \$ 166,600 | \$ 1,286,600 | \$ 120,000                   | \$ 16,200 | \$ 136,200 |
| 2021                               | 1,155,000                    | 144,200    | 1,299,200    | 120,000                      | 12,600    | 132,600    |
| 2022                               | 1,200,000                    | 98,000     | 1,298,000    | 125,000                      | 7,700     | 132,700    |
| 2023                               | 1,250,000                    | 50,000     | 1,300,000    | 130,000                      | 2,600     | 132,600    |
| TOTALS                             | \$ 4,725,000                 | \$ 458,800 | \$ 5,183,800 | \$ 495,000                   | \$ 39,100 | \$ 534,100 |

| Fiscal Year<br>Ending<br>June 30th | 2012          |              |               | 2015            |            |              |
|------------------------------------|---------------|--------------|---------------|-----------------|------------|--------------|
|                                    | Construction  |              |               | Capital Project |            |              |
|                                    | Principal     | Interest     | Total         | Principal       | Interest   | Total        |
| 2020                               | \$ 1,305,000  | \$ 305,238   | \$ 1,610,238  | \$ 110,000      | \$ 30,163  | \$ 140,163   |
| 2021                               | 1,340,000     | 266,088      | 1,606,088     | 115,000         | 27,550     | 142,550      |
| 2022                               | 1,385,000     | 225,888      | 1,610,888     | 120,000         | 24,675     | 144,675      |
| 2023                               | 1,430,000     | 184,338      | 1,614,338     | 120,000         | 21,675     | 141,675      |
| 2024                               | 1,475,000     | 141,438      | 1,616,438     | 125,000         | 18,675     | 143,675      |
| 2025                               | 1,530,000     | 97,188       | 1,627,188     | 130,000         | 15,550     | 145,550      |
| 2026                               | 1,580,000     | 49,375       | 1,629,375     | 135,000         | 12,300     | 147,300      |
| 2027                               | -             | -            | -             | 135,000         | 8,250      | 143,250      |
| 2028                               | -             | -            | -             | 140,000         | 4,200      | 144,200      |
| TOTALS                             | \$ 10,045,000 | \$ 1,269,550 | \$ 11,314,550 | \$ 1,130,000    | \$ 163,038 | \$ 1,293,038 |

## MATERIAL EVENT NOTICES

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

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

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

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



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

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

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

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

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

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

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

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**HANNIBAL CENTRAL SCHOOL DISTRICT  
OSWEGO AND CAYUGA COUNTIES, NEW YORK**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

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

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

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

**Independent Auditor's Report**

Board of Education  
Hannibal Central School District, New York

**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 Hannibal Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 Hannibal Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**New Accounting Standard**

As discussed in Note 1 to the financial statements, the School District changed accounting policies related to the financial statement presentation of other postemployment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain postemployment benefits and disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

## **Other-Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other Required Supplementary Information, as listed in the table of contents, 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 Hannibal Central School District's basic financial statements. The other supplementary information on pages 47 through 49 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 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 Schedule of Expenditures of Federal Awards and other supplementary information 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 5, 2018, on our consideration of the Hannibal Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hannibal Central School District's internal control over financial reporting and compliance.

*D'Arcangelo + Co., LLP*

October 5, 2018

Rome, New York

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

The Hannibal 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, 2018 and 2017. 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.

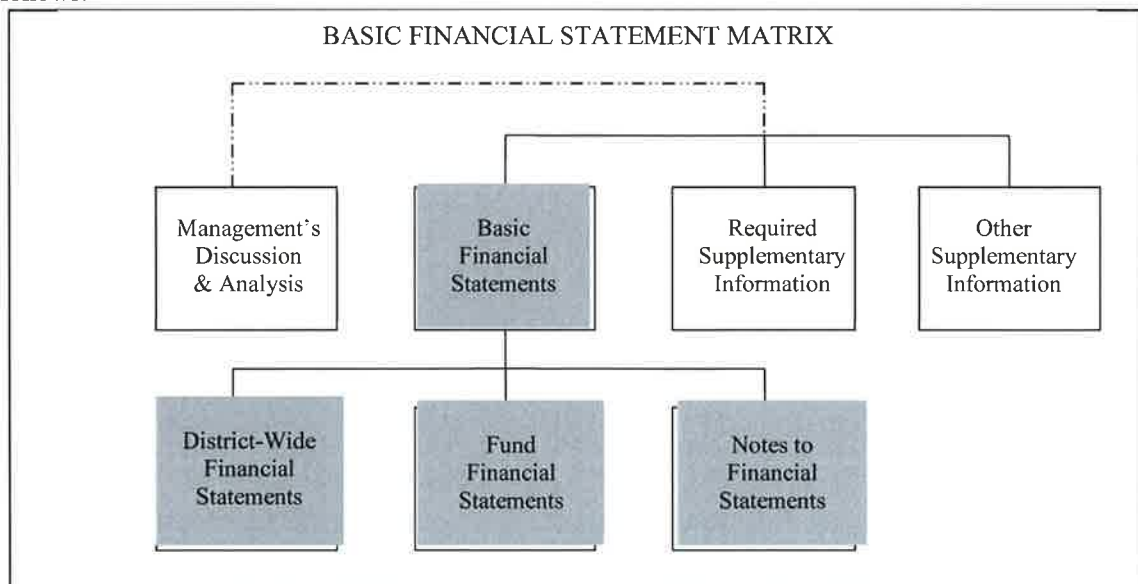
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District's total Net Position, as reflected in the District-wide financial statements, increased by \$1,647,980.
- The current total net position is a deficit in the amount of \$2,643,633. The deficit is primarily the result of the implementation of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required the recognition of an unfunded liability of \$41,133,011 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$32,325,807. This amount was offset by \$95,807 in program charges for services, and \$2,443,378 in operating grants.
- General revenues of \$31,434,602 amount to 92.5% of total revenues. These revenues covered the balance of program expenses leaving the current year surplus of \$1,647,980.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 14 and 16, decreased by \$3,716,370 to \$10,433,462. The District also decreased the reserve funds in the General Fund by a net of \$3,863,318.
- State and federal revenue increased by \$514,346 to \$24,099,784 in 2018 from \$23,585,438 in 2017. This increase was due to an increase of \$499,470 for State Foundation Aid.

**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:



See Independent Auditor's Report.



**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

---

**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, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as Net Position. Increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

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

**B. Fund Financial Statements**

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

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

Governmental Funds

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

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

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service, 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-wide financial statements because the District cannot use these assets to finance its operations.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

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

**A. Net Position**

The District's total Net Position increased \$1,647,980 between fiscal year 2017 and 2018. A summary of the District's Statement of Net Position for June 30, 2018 and 2017 is as follows:

|   | 2018           | (Restated)<br>2017 | Increase<br>(Decrease) | Percentage<br>Change |
|---|----------------|--------------------|------------------------|----------------------|
| Current and Other Assets                          | \$ 19,093,121  | \$ 17,993,022      | \$ 1,100,099           | 6.1%                 |
| Net Pension Asset - Proportionate Share           | 474,059        |                    | 474,059                | 100%                 |
| Capital Assets, (Net of Accumulated Depreciation) | 45,189,474     | 45,900,613         | (711,139)              | -1.5%                |
| Total Assets                                      | 64,756,654     | 63,893,635         | 863,019                | 1.4%                 |
| Deferred Outflow of Resources                     | 7,231,472      | 7,145,716          | 85,756                 | 1.2%                 |
| Non-Current Liabilities                           | 66,290,927     | 70,466,181         | (4,175,254)            | (5.9%)               |
| Net Pension Liability - Proportionate Share       | 298,642        | 1,453,217          | (1,154,575)            | (79.4%)              |
| Other Liabilities                                 | 3,735,895      | 2,904,287          | 831,608                | 28.6%                |
| Total Liabilities                                 | 70,325,464     | 74,823,685         | (4,498,221)            | (6.0%)               |
| Deferred Inflow of Resources                      | 4,306,295      | 507,279            | 3,799,016              | 748.9%               |
| Net Position                                      |                |                    |                        |                      |
| Net Investment in Capital Assets                  | 25,253,992     | 22,841,813         | 2,412,179              | 10.6%                |
| Restricted  | 13,069,540     | 13,022,695         | 46,845                 | -(0.4%)              |
| Unrestricted (Deficit)                            | (40,967,165)   | (40,156,121)       | (811,044)              | -(2.0%)              |
| Total Net Position                                | \$ (2,643,633) | \$ (4,291,613)     | \$ 1,647,980           | 38.4%                |

- Current and other assets increased by \$1,100,099, as compared to the prior year. The increase is primarily due to the current year surplus of revenues over expenditures before the interfund transfers in the General Fund.
- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. This required the inclusion of the District's proportionate share of net assets and/or liabilities in the New York State Teachers' Retirement System and Employees' Retirement Systems. In addition, the amounts of deferred inflows and outflows are also recorded. The net change of these amounts resulted in a decrease to the District's net position by \$208,816.
- Capital assets decreased by \$711,139, as compared to the prior year. This increase is primarily due to depreciation expense exceeding capital additions. See Note 6 to the Financial Statements for additional information.
- Non-current liabilities decreased by \$4,175,254, as compared to the prior year. This decrease is primarily the result of the combination of the repayment of \$3,180,000 for serial bonds and by a decrease in the accrual of \$664,251 for other postemployment benefits liability.
- Other liabilities increased by \$831,608 as compared to the prior year. This increase is primarily a result of an increase in the General Fund's accounts payable by \$1,066,088 due to bus purchases and Capital Project construction. This was partially offset with the decrease in the liabilities for the NYS Teachers' Retirement System by \$154,297, due to the reduction in contribution rates.
- The Net Position invested 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 to purchase vehicles, equipment and furniture to support District operations.
- The restricted portion of net position at June 30, 2018, is \$13,069,540, which represents the amount of the District's reserves in the General Fund and other restricted funds for Debt Service and Capital Projects.
- The unrestricted Net Position at June 30, 2018, is a deficit of \$40,967,165, which represents the amount by which the District's liabilities, excluding debt related to capital construction, exceeded the District's assets other than capital assets, mainly due to the implementation of GASB statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2018.

See Independent Auditor's Report.



**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**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, 2018 and 2017 is as follows.

| <b>Revenues</b>                   | <b>2018</b>         | <b>2017</b>         | <b>Increase<br/>(Decrease)</b> | <b>Percentage<br/>Change</b> |
|-----------------------------------|---------------------|---------------------|--------------------------------|------------------------------|
| Program Revenues                  |                     |                     |                                |                              |
| Charges for Services              | \$ 95,807           | \$ 155,241          | \$ (59,434)                    | (38.3%)                      |
| Operating Grants                  | 2,443,378           | 2,289,480           | 153,898                        | 6.7%                         |
| General Revenues                  |                     |                     |                                |                              |
| Property Taxes and STAR           | 6,654,302           | 6,656,214           | (1,912)                        | 0.0%                         |
| State and Federal Sources         | 24,099,784          | 23,585,438          | 514,346                        | 2.2%                         |
| Use of Money and Property         | 182,491             | 57,925              | 124,566                        | 215.0%                       |
| Other                             | <u>498,025</u>      | <u>650,528</u>      | <u>(152,503)</u>               | (23.4%)                      |
| Total Revenues                    | <u>33,973,787</u>   | <u>33,394,826</u>   | <u>578,961</u>                 | 1.7%                         |
| <b>Expenses</b>                   |                     |                     |                                |                              |
| General Support                   | 5,207,787           | 5,148,518           | 59,269                         | 1.2%                         |
| Instruction                       | 22,859,675          | 21,931,263          | 928,412                        | 4.2%                         |
| Pupil Transportation              | 2,806,772           | 1,900,839           | 905,933                        | 47.7%                        |
| Debt Service-Unallocated Interest | 653,781             | 741,665             | (87,884)                       | (11.8%)                      |
| Food Service Program              | <u>797,792</u>      | <u>728,652</u>      | <u>69,140</u>                  | 9.5%                         |
| Total Expenses                    | <u>32,325,807</u>   | <u>30,450,937</u>   | <u>1,874,870</u>               | 6.2%                         |
| Total Change in Net Position      | <u>\$ 1,647,980</u> | <u>\$ 2,943,889</u> | <u>\$ (1,295,909)</u>          | (44.0%)                      |

The District's revenues increased by \$578,961 in 2018 or 1.7%. The major factors that contributed to the net increase were:

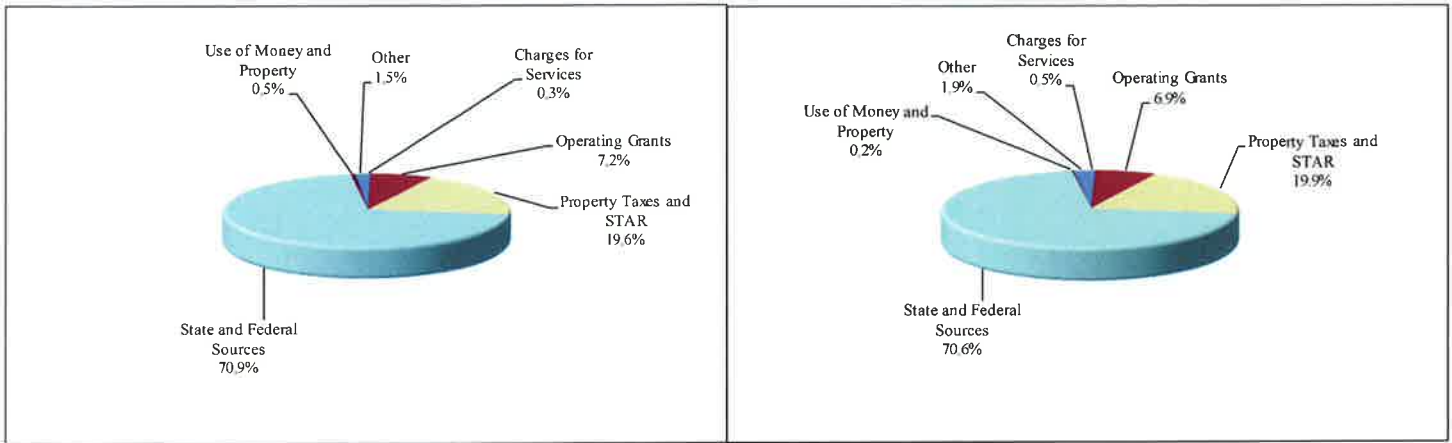
- Operating Grants increased by \$153,898 due to participating in the school lunch CEP program.
- State and federal revenue increased by \$514,346 to \$24,099,784 in 2018 from \$23,585,438 in 2017. This increase was due to an increase of \$499,470 for State foundation aid.

The District's total expenses increased compared with the prior year by \$1,874,870 or 6.2%. This increase was partially due to an increase in health insurance and other postemployment benefits by \$847,930 and an increase of \$182,572 in the proportionate share of net pension asset/liability.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

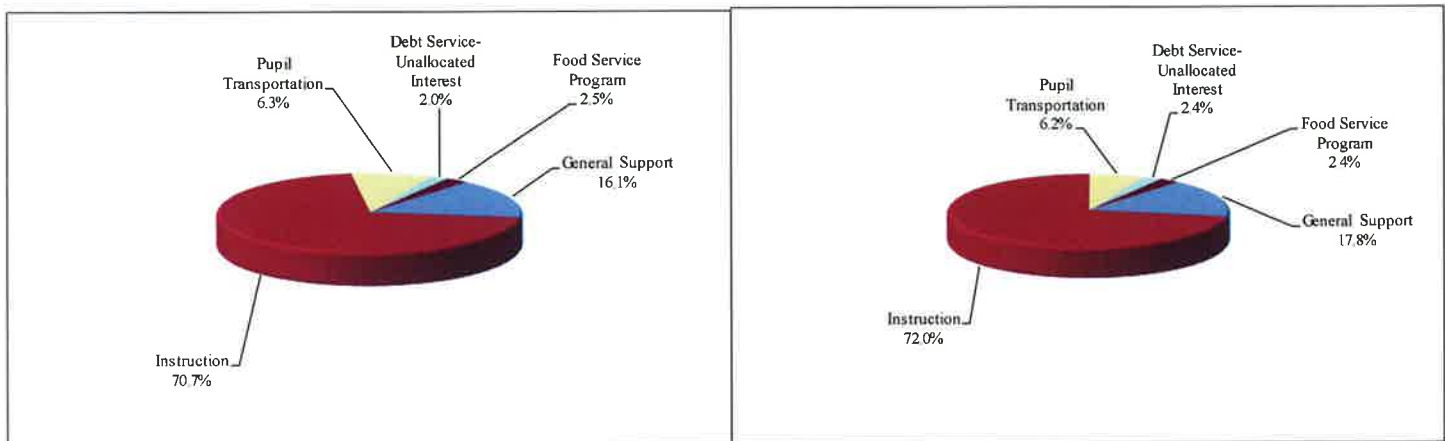
A graphic display of the distribution of revenues for the two years follows:

**For the Year Ended**  
**June 30, 2018**                      **June 30, 2017**



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

**For the Year Ended**  
**June 30, 2018**                      **June 30, 2017**



**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$15,472,014, which is an increase of \$245,667 over the prior year. A summary of the change in fund balance by fund is as follows:

|   | Ending<br>Balance    | Beginning<br>Balance | Difference         |
|---|----------------------|----------------------|--------------------|
| <b>General Fund</b>                       |                      |                      |                    |
| <b>Restricted</b>                         |                      |                      |                    |
| Workers' Compensation                     | \$ 534,966           | \$ 529,528           | \$ 5,438           |
| Unemployment Insurance                    | 138,060              | 136,529              | 1,531              |
| Retirement Contribution                   | 2,093,510            | 2,072,367            | 21,143             |
| Employee Benefit Accrued Liability        | 3,625,497            | 3,816,927            | (191,430)          |
| Capital Reserve - Transportation          | 500,000              | 500,000              |                    |
| Capital Reserves - Facilities             | <u>1,300,000</u>     | <u>5,000,000</u>     | <u>(3,700,000)</u> |
| Total Restricted                          | <u>8,192,033</u>     | <u>12,055,351</u>    | <u>(3,863,318)</u> |
| <b>Assigned</b>                           |                      |                      |                    |
| Appropriated for Subsequent Year's Budget | 1,125,227            | 1,125,196            | 31                 |
| General Support                           | 109,502              | 158,897              | (49,395)           |
| Instruction                               | 55,829               | 99,370               | (43,541)           |
| Pupil Transportation                      | <u>2,077</u>         | <u>65,043</u>        | <u>(62,966)</u>    |
| Total Assigned                            | <u>1,292,635</u>     | <u>1,448,506</u>     | <u>(155,871)</u>   |
| <b>Unassigned</b>                         | <u>948,794</u>       | <u>645,975</u>       | <u>302,819</u>     |
| <b>Total General Fund</b>                 | <u>10,433,462</u>    | <u>14,149,832</u>    | <u>(3,716,370)</u> |
| <br><b>School Lunch Fund</b>              |                      |                      |                    |
| Nonspendable                              | 31,716               | 33,784               | (2,068)            |
| Assigned                                  | <u>129,329</u>       | <u>75,387</u>        | <u>53,942</u>      |
| <b>Total School Lunch Fund</b>            | <u>161,045</u>       | <u>109,171</u>       | <u>51,874</u>      |
| <br><b>Debt Service Fund</b>              |                      |                      |                    |
| Restricted                                | <u>877,646</u>       | <u>967,344</u>       | <u>(89,698)</u>    |
| <br><b>Capital Fund</b>                   |                      |                      |                    |
| Unassigned                                | <u>3,999,861</u>     |                      | <u>3,999,861</u>   |
| <br><b>Total</b>                          | <u>\$ 15,472,014</u> | <u>\$ 15,226,347</u> | <u>\$ 245,667</u>  |

Combined net decreases of \$3,863,318 to the General Fund reserved fund balances during the year ended June 30, 2018 were approved by the Board of Education.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-2018 Budget**

The District's General Fund adopted budget for the year ended June 30, 2018, was \$32,525,700 . This is an increase of \$892,200 over 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 State Aid in the amount of \$23,575,000 and property taxes and STAR for \$6,610,504. The following is a detail of additions to the adopted budget:

**Change from Adopted Budget to Revised Budget**

|                                |                             |
|--------------------------------|-----------------------------|
| Adopted Budget                 | \$ 32,525,700               |
| Add: Prior Year's Encumbrances | <u>323,310</u>              |
| Original Budget                | <u>32,849,010</u>           |
| Additions:                     |                             |
| Appropriated Capital Reserve   | 5,000,000                   |
| Donations                      | <u>6,760</u>                |
| Total Additions                | <u>5,006,760</u>            |
| Final Budget                   | <u><u>\$ 37,855,770</u></u> |

**B. Change in General Fund's Unassigned – Undesignated 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                 | \$ 645,975               |
| Revenues and Other Sources Under Budget          | (6,244,500)              |
| Carryover Encumbrances from June 30, 2017        | 323,310                  |
| Expenditures under Budget                        | 2,528,130                |
| Encumbrances at June 30, 2018                    | (167,408)                |
| Increase to Assigned - Appropriated Fund Balance | (31)                     |
| Net Decrease to Reserved Funds                   | <u>3,863,318</u>         |
| Closing, Unassigned Fund Balance                 | <u><u>\$ 948,794</u></u> |

**Opening, Unassigned Fund Balance**

The \$645,975 shown in the table is the portion of the District's June 30, 2017, fund balance that was retained undesignated. This was 2.0% of the District's 2017-2018 approved operating budget.

**Revenues Over Budget**

The 2017-2018 budget for revenues was \$37,855,770. The actual revenues received for the year were \$31,611,270. The actual revenue under budgeted revenue and other financing sources and appropriated fund balance was \$6,244,500. This

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

variance contributes directly to the change to the undesignated portion of the General Fund balance from June 30, 2017 to June 30, 2018.

**Expenditures and Encumbrances Under Budget**

The 2017-2018 budget for expenditures and other financing uses was \$37,855,770. The actual expenditures and encumbrances were \$35,488,642. The final budget was under expended by \$2,534,536. After encumbrances of \$167,408, the unexpended and unencumbered budget was \$2,360,722. This under expenditure contributes to the change to the undesignated portion of the general fund balance from June 30, 2017 to June 30, 2018.

**Appropriated Fund Balance**

The District has chosen to appropriate \$1,125,227 of its available June 30, 2018, fund balance to partially fund its 2018-2019 approved operating budget. This amount is \$31 greater than the prior year's appropriation.

**Reserved Fund Balance**

The District's reserve funds decreased a net \$3,863,318 in the General Fund for the year ending June 30, 2018. The Board and the voters approved utilizing \$5 million of the Capital Reserve and fund a new Capital Reserve for \$1.3 million.

**Closing, Unassigned Fund Balance**

Based upon the summary changes shown in the above table, the District will begin the 2018-2019 fiscal year with an unassigned fund balance of \$948,794. This is an increase of \$302,819 from the unassigned balance from June 30, 2017. The unassigned fund balance is 2.9% of the 2018-2019 budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2018, 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 greater than the depreciation recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2018 and 2017, is as follows:

|                                    | 2018                 | 2017                 | Increase<br>(Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| Land                               | \$ 207,253           | \$ 160,175           | \$ 47,078              |
| Construction in Process            | 1,038,512            |                      | 1,038,512              |
| Buildings and Improvements         | 41,529,330           | 43,149,314           | (1,619,984)            |
| Vehicles, Furniture, and Equipment | 2,414,379            | 2,591,124            | (176,745)              |
| Capital Assets, Net                | <u>\$ 45,189,474</u> | <u>\$ 45,900,613</u> | <u>\$ (711,139)</u>    |

**B. Debt Administration**

At June 30, 2018, the District had total bonds payable of \$20,675,000. At June 30, 2018, the District utilized 8.21% of its NYS Constitutional Debt Limit. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

| Issue<br>Date                   | Interest<br>Rate | 2018                 | 2017                 | Increase<br>(Decrease) |
|---------------------------------|------------------|----------------------|----------------------|------------------------|
| 03/06/2012 (2003 Refunding A)   | 2.0%-4.0%        | \$ 610,000           | \$ 720,000           | \$ (110,000)           |
| 03/06/2012 (2003 Refunding B)   | 2.0%-4.0%        | 5,825,000            | 6,895,000            | (1,070,000)            |
| 06/28/12                        | 2.0%-3.1%        | 11,315,000           | 12,550,000           | (1,235,000)            |
| 7/30/14 (2005 & 2006 Refunding) | 1.5%-3.0%        | 1,685,000            | 2,345,000            | (660,000)              |
| 06/25/15                        | 2.5%-3.0%        | 1,240,000            | 1,345,000            | (105,000)              |
| Total                           |                  | <u>\$ 20,675,000</u> | <u>\$ 23,855,000</u> | <u>\$ (3,180,000)</u>  |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

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

The voters and the Board of Education approved the 2018-2019 General Fund budget for \$33,261,000, an increase of \$735,300 or 2.26% from the previous year. The designated fund balance applied to the budget was \$1,125,227, an increase of \$31 from the previous year.

The Hannibal Central School District continues to work toward maintaining a strong financial position in the face of declining economic times across the nation and especially in New York State. We are a public school district that relies heavily on State Aid, accounting for 75% of our budgeted revenue, to finance the education we provide to approximately 1,410 students in 2018-2019.

An increase to the General Fund was due to the P-TECH, Project Explore, and alternative classroom settings, as well as hiring additional teachers and counselors to provide enrichment experiences for our students. Roughly eighty-one (81%) percent of the budget increase represents the growth in programmatic opportunities directly afforded to our students.

To fulfill the Every Student Succeeds Act (ESSA) staff needs, we are relying more now than in the past on our Title 1 Grant for support for our AIS and Reading programs, in order to keep the General Fund budget instructional costs stable. The ESSA funds are diminishing and the General Fund is absorbing the costs.

The district is pleased that its voters overwhelmingly approved a \$42 million Capital Project in November 2017. The project will focus on a new transportation center, a renovated science and technology wing in the HS, boilers, roof work and infrastructure that will protect the district assets. The Capital Project plans will be submitted to NYSED in the summer 2018. It takes between 32-42 weeks for NYSED to approve all plans. We are hoping to break ground for our transportation center in mid-Spring of 2019. The roof and boiler replacement will begin in late June of 2019 if all goes as scheduled.

The School District does not anticipate or have knowledge of any new mandates that will significantly affect the School District's financial position for the 2018-2019 school year.

**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:

Hannibal Central School District  
Business Office  
928 Cayuga Street  
Hannibal, NY 13074

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

**Assets**

|  |                   |
|--|-------------------|
| Cash and Cash Equivalents                        | \$ 3,175,926      |
| Restricted Cash and Cash Equivalents             | 13,845,543        |
| Receivables                                      |                   |
| Due From Other Governments                       | 2,006,050         |
| Due from Fiduciary Funds                         | 27                |
| Other Receivables                                | 33,859            |
| Inventory  | 31,716            |
| Net Pension Asset - Proportionate Share          | 474,059           |
| Capital Assets (Net of Accumulated Depreciation) | <u>45,189,474</u> |
| Total Assets                                     | <u>64,756,654</u> |

**Deferred Outflow of Resources**

|  |                  |
|--|------------------|
| Deferred Outflow - Pensions                                | 7,184,324        |
| Deferred Charge on Refunding of Debt (Net of Amortization) | <u>47,148</u>    |
| Total Deferred Outflow of Resources                        | <u>7,231,472</u> |

**Total Assets and Deferred Outflow of Resources** \$ 71,988,126

**Liabilities**

|   |                   |
|---|-------------------|
| Accounts Payable                            | \$ 2,174,255      |
| Accrued Liabilities                         | 281,826           |
| Due To                                      |                   |
| Other Governments                           | 64,711            |
| Teachers' Retirement System                 | 1,107,205         |
| Employees' Retirement System                | 107,898           |
| Net Pension Liability - Proportionate Share | 298,642           |
| Noncurrent Liabilities                      |                   |
| Due Within One Year                         |                   |
| Unamortized Premium                         | 33,016            |
| Bonds Payable                               | 3,275,000         |
| Due in More Than One Year                   |                   |
| Compensated Absences                        | 4,344,788         |
| Other Postemployment Liability              | 41,133,011        |
| Unamortized Premium                         | 105,112           |
| Bonds Payable                               | <u>17,400,000</u> |
| Total Liabilities                           | <u>70,325,464</u> |

**Deferred Inflow of Resources**

|   |                  |
|---|------------------|
| Deferred Inflow - Pensions                      | 2,446,201        |
| Deferred Inflow - Other Postemployment Benefits | <u>1,860,094</u> |
|   | <u>4,306,295</u> |

**Net Position**

|                                  |                     |
|----------------------------------|---------------------|
| Net Investment in Capital Assets | 25,253,992          |
| Restricted                       | 13,069,540          |
| Unrestricted (Deficit)           | <u>(40,967,165)</u> |
| Total Net Position (Deficit)     | <u>(2,643,633)</u>  |

**Total Liabilities, Deferred Inflow of Resources, and Net Position** \$ 71,988,126

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



**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

| Functions/Programs                                     | Expenses             | Program Revenues     |                                    | Net (Expense)                       |
|--|----------------------|----------------------|------------------------------------|-------------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position |
| General Support  | \$ 5,207,787         | \$                   | \$                                 | \$ (5,207,787)                      |
| Instruction  | 22,859,675           | 2,064                | 1,721,832                          | (21,135,779)                        |
| Pupil Transportation                                   | 2,806,772            |                      |                                    | (2,806,772)                         |
| Debt Service - Unallocated Interest                    | 653,781              |                      |                                    | (653,781)                           |
| Food Service   | 797,792              | 93,743               | 721,546                            | 17,497                              |
| Total Functions/Programs                               | <u>\$ 32,325,807</u> | <u>\$ 95,807</u>     | <u>\$ 2,443,378</u>                | <u>(29,786,622)</u>                 |
| <b>General Revenues</b>                                |                      |                      |                                    |                                     |
| Real Property Taxes                                    |                      |                      |                                    | 4,909,897                           |
| STAR and Other Real Property Tax Items                 |                      |                      |                                    | 1,744,405                           |
| Use of Money and Property                              |                      |                      |                                    | 182,491                             |
| Sales of Property and Compensation for Loss            |                      |                      |                                    | 20,710                              |
| State and Federal Sources                              |                      |                      |                                    | 24,099,784                          |
| Miscellaneous  |                      |                      |                                    | <u>477,315</u>                      |
| Total General Revenues                                 |                      |                      |                                    | <u>31,434,602</u>                   |
| Change in Net Position                                 |                      |                      |                                    | <u>1,647,980</u>                    |
| Net Position, Beginning of Year                        |                      |                      |                                    | 28,486,590                          |
| Cummilative Effect of a Change in Accounting Principle |                      |                      |                                    | <u>(32,778,203)</u>                 |
| Net Position (Deficit), Beginning of Year (Restated)   |                      |                      |                                    | <u>(4,291,613)</u>                  |
| Net Position (Deficit), End of Year                    |                      |                      |                                    | <u>\$ (2,643,633)</u>               |

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



**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**

|  | General              | School<br>Lunch   | Special<br>Aid    | Debt<br>Service   | Capital             | Total                |
|--|----------------------|-------------------|-------------------|-------------------|---------------------|----------------------|
| <b>Assets</b>                              |                      |                   |                   |                   |                     |                      |
| Cash and Cash Equivalents                  | \$ 3,057,967         | \$ 96,729         | \$ 21,230         | \$                | \$                  | \$ 3,175,926         |
| Restricted Cash and Cash Equivalents       | 8,192,033            |                   |                   | 877,646           | 4,775,864           | 13,845,543           |
| Receivables                                |                      |                   |                   |                   |                     |                      |
| Due From Other Governments                 | 1,609,745            | 54,502            | 341,803           |                   |                     | 2,006,050            |
| Due from Other Funds                       | 391,642              |                   | 49,614            |                   |                     | 441,256              |
| Other Receivables                          | 32,562               | 1,297             |                   |                   |                     | 33,859               |
| Inventory                                  |                      | 31,716            |                   |                   |                     | 31,716               |
| Total Assets                               | <u>\$ 13,283,949</u> | <u>\$ 184,244</u> | <u>\$ 412,647</u> | <u>\$ 877,646</u> | <u>\$ 4,775,864</u> | <u>\$ 19,534,350</u> |
| <b>Liabilities</b>                         |                      |                   |                   |                   |                     |                      |
| Payables                                   |                      |                   |                   |                   |                     |                      |
| Accounts Payable                           | \$ 1,386,071         | \$                | \$ 12,181         | \$                | \$ 776,003          | \$ 2,174,255         |
| Accrued Liabilities                        | 144,249              | 13,938            | 8,851             |                   |                     | 167,038              |
| Due To                                     |                      |                   |                   |                   |                     |                      |
| Other Governments                          | 64,238               | 473               |                   |                   |                     | 64,711               |
| Other Funds                                | 49,614               |                   | 391,615           |                   |                     | 441,229              |
| Teachers' Retirement System                | 1,107,205            |                   |                   |                   |                     | 1,107,205            |
| Employees' Retirement System               | 99,110               | 8,788             |                   |                   |                     | 107,898              |
| Total Liabilities                          | <u>2,850,487</u>     | <u>23,199</u>     | <u>412,647</u>    |                   | <u>776,003</u>      | <u>4,062,336</u>     |
| <b>Fund Balances</b>                       |                      |                   |                   |                   |                     |                      |
| Nonspendable                               |                      | 31,716            |                   |                   |                     | 31,716               |
| Restricted                                 | 8,192,033            |                   |                   | 877,646           | 3,999,861           | 13,069,540           |
| Assigned                                   | 1,292,635            | 129,329           |                   |                   |                     | 1,421,964            |
| Unassigned                                 | 948,794              |                   |                   |                   |                     | 948,794              |
| Total Fund Balances                        | <u>10,433,462</u>    | <u>161,045</u>    |                   | <u>877,646</u>    | <u>3,999,861</u>    | <u>15,472,014</u>    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 13,283,949</u> | <u>\$ 184,244</u> | <u>\$ 412,647</u> | <u>\$ 877,646</u> | <u>\$ 4,775,864</u> | <u>\$ 19,534,350</u> |

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

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES**  
**TO THE DISTRICT-WIDE NET POSITION**  
**June 30, 2018**

|                                  |                      |
|----------------------------------|----------------------|
| Total Governmental Fund Balances | \$ <u>15,472,014</u> |
|----------------------------------|----------------------|

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 | 70,733,460          |
| Accumulated Depreciation        | <u>(25,543,986)</u> |
|                                 | <u>45,189,474</u>   |

Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.

|  |                    |
|--|--------------------|
| Net Pension Asset - Proportionate Share          | 474,059            |
| Deferred Outflows - Pensions                     | 7,184,324          |
| Net Pension Liability - Proportionate Share      | (298,642)          |
| Deferred Inflows - Other Postemployment Benefits | (1,860,094)        |
| Deferred Inflows - Pensions                      | <u>(2,446,201)</u> |
|  | <u>3,053,446</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                         | (20,675,000)        |
| Deferred Charge on Advance Refunding  | 47,148              |
| Deferred Premium on Advance Refunding | (138,128)           |
| Accrued Interest on Bonds Payable     | (114,788)           |
| Other Postemployment Liabilities      | (41,133,011)        |
| Compensated Absences Payable          | <u>(4,344,788)</u>  |
|                                       | <u>(66,358,567)</u> |

|                    |                              |
|--------------------|------------------------------|
| Total Net Position | \$ <u><u>(2,643,633)</u></u> |
|--------------------|------------------------------|

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

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

|  | General              | School Lunch      | Special Aid      | Debt Service      | Capital             | Total                |
|--|----------------------|-------------------|------------------|-------------------|---------------------|----------------------|
| <b>Revenues</b>  |                      |                   |                  |                   |                     |                      |
| Real Property Taxes  | \$ 4,909,897         | \$                | \$               | \$                | \$                  | \$ 4,909,897         |
| STAR and Other Real Property Tax Items   | 1,744,405            |                   |                  |                   |                     | 1,744,405            |
| Charges for Services   | 2,064                |                   |                  |                   |                     | 2,064                |
| Use of Money and Property  | 133,810              | 6                 |                  | 10,302            | 38,373              | 182,491              |
| Sale of Property and Compensation for Loss                                     | 42,740               |                   |                  |                   |                     | 42,740               |
| Miscellaneous  | 472,207              |                   | 5,108            |                   |                     | 477,315              |
| State Aid  | 24,099,784           | 18,809            | 412,384          |                   |                     | 24,530,977           |
| Federal Aid  | 106,363              | 702,737           | 1,203,085        |                   |                     | 2,012,185            |
| School Lunch Sales   |                      | 93,743            |                  |                   |                     | 93,743               |
| Total Revenues   | <u>31,511,270</u>    | <u>815,295</u>    | <u>1,620,577</u> | <u>10,302</u>     | <u>38,373</u>       | <u>33,995,817</u>    |
| <b>Expenditures</b>  |                      |                   |                  |                   |                     |                      |
| General Support  | 3,876,520            |                   |                  |                   | 266,578             | 4,143,098            |
| Instruction  | 14,537,550           |                   | 1,245,261        |                   | 771,934             | 16,554,745           |
| Pupil Transportation   | 2,356,359            |                   | 34,861           |                   |                     | 2,391,220            |
| Food Service Program   |                      | 629,227           |                  |                   |                     | 629,227              |
| Employee Benefits  | 5,641,636            | 134,194           | 382,124          |                   |                     | 6,157,954            |
| Debt Service - Principal   | 3,180,000            |                   |                  |                   |                     | 3,180,000            |
| Debt Service - Interest  | 693,906              |                   |                  |                   |                     | 693,906              |
| Total Expenditures   | <u>30,285,971</u>    | <u>763,421</u>    | <u>1,662,246</u> |                   | <u>1,038,512</u>    | <u>33,750,150</u>    |
| <b>Excess (Deficit) Revenues Over Expenditures</b>                             | <u>1,225,299</u>     | <u>51,874</u>     | <u>(41,669)</u>  | <u>10,302</u>     | <u>(1,000,139)</u>  | <u>245,667</u>       |
| <b>Other Financing Sources (Uses)</b>  |                      |                   |                  |                   |                     |                      |
| Transfers from Other Funds   | 100,000              |                   | 41,669           |                   | 5,000,000           | 5,141,669            |
| Transfers to Other Funds   | (5,041,669)          |                   |                  | (100,000)         |                     | (5,141,669)          |
| Total Other Financing Sources (Uses)   | <u>(4,941,669)</u>   |                   | <u>41,669</u>    | <u>(100,000)</u>  | <u>5,000,000</u>    |                      |
| <b>Excess (Deficit) Revenues Over Expenditures and Other Financing Sources</b> | <u>(3,716,370)</u>   | <u>51,874</u>     |                  | <u>(89,698)</u>   | <u>3,999,861</u>    | <u>245,667</u>       |
| <b>Fund Balances, Beginning of Year</b>  | <u>14,149,832</u>    | <u>109,171</u>    |                  | <u>967,344</u>    |                     | <u>15,226,347</u>    |
| <b>Fund Balances, End of Year</b>  | <u>\$ 10,433,462</u> | <u>\$ 161,045</u> | <u>\$</u>        | <u>\$ 877,646</u> | <u>\$ 3,999,861</u> | <u>\$ 15,472,014</u> |

**HANNIBAL 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, 2018**

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|  |    |         |
|--|----|---------|
| Net Changes in Fund Balance - Total Governmental Funds | \$ | 245,667 |
|--|----|---------|

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 expenses in the Statement of Activities. This is the amount by which capital outlays were exceeded by depreciation and loss in disposal in the period.

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation Expense | (2,106,541)      |           |
| Loss on Disposal     | (22,030)         |           |
| Capital Outlays      | <u>1,417,432</u> | (711,139) |

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.

|                          |           |
|--------------------------|-----------|
| Repayment Bond Principal | 3,180,000 |
|--------------------------|-----------|

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. Changes in these amounts are as follows:

|  |                    |           |
|--|--------------------|-----------|
| Accrued Interest on Serial Bonds                     | 22,824             |           |
| Amortization of Deferred Premium                     | 33,016             |           |
| Amortization of Deferred Charge on Advance Refunding | (15,716)           |           |
| Compensated Absences                                 | 297,987            |           |
| Other Postemployment Benefit Expense                 | <u>(1,195,843)</u> | (857,732) |

(Increases) in proportionate share of net pension asset 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  | (198,615)       |                  |
| Employees' Retirement System | <u>(10,201)</u> | <u>(208,816)</u> |

|  |    |                  |
|--|----|------------------|
| Change in Net Position Governmental Activities | \$ | <u>1,647,980</u> |
|--|----|------------------|

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

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|  | <u>Agency</u>     |
|--|-------------------|
| <b>Assets</b>                            |                   |
| Cash and Cash Equivalents - Unrestricted | \$ 166,275        |
| Total Assets                             | <u>\$ 166,275</u> |
| <b>Liabilities</b>                       |                   |
| Due to Other Funds                       | \$ 27             |
| Agency Liabilities                       | 96,544            |
| Extraclassroom Activity Balances         | <u>69,704</u>     |
| Total Liabilities                        | <u>\$ 166,275</u> |

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

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***Reporting Entity***

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The 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 and its component unit(s) and other organizational entities determined to be includable in the School District's financial reporting entity. 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.

***(a) 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. These funds are included in the combined basic financial statements in the Fiduciary Funds as agency funds because 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 be obtained from the School District's Business Office, Hannibal Central School District, Hannibal, NY 13074.

***Joint Venture***

Hannibal Central School District is a component district of Oswego County Board of Cooperative Education Services (BOCES). The BOCES is a joint venture in which the participating districts have an ongoing financial responsibility, no equity interest, and no single participant controls the financial or operating policies of the BOCES. BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES charges districts for program costs based on participation and for administrative costs. At June 30, 2018, the School District did not owe the BOCES for billed services. Participating districts may also issue debt on behalf of BOCES. During the year ended June 30, 2018, the School District issued no debt on behalf of BOCES. Financial statements for Oswego County BOCES are available from the BOCES' administrative office at 179 County Route 64, Mexico, New York.

***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

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

**(b) Fund Financial Statements**

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

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

***Special Revenue Funds:***

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

**School Lunch Fund:** This fund is used to account for and report transactions of the School District's 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 is one class of fiduciary funds:

**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 withholding.

***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



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the fiscal year.

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

***Accrued Liabilities and Long-Term Obligations***

Payables, accrued liabilities and long-term obligations are reported in the District-Wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund 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 School 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.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***Estimates***

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

***Cash and Cash Equivalents***

The 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 and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. Uncollected real property taxes are subsequently enforced by Oswego and Cayuga counties. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the counties to the School District no later than the forthcoming 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.



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Interfund Transactions***

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 8 to the financial statements.

***Inventories***

Inventories of food 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 inventory 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, 2003. For assets acquired prior to July 1, 2003, 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 \$50,000 for buildings and \$5,000 for vehicles, furniture, equipment, and building improvements, (the dollar value above which asset acquisitions are added to the capital asset accounts) and depreciated using the straight-line method. Estimated useful lives of capital assets reported in the District-Wide statements:

|                                     |             |
|-------------------------------------|-------------|
| Vehicles, Furniture, and Equipment  | 5–15 Years  |
| Buildings and Building Improvements | 10–40 Years |

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

The School District's employees are granted vacation leave, sick leave, and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation leave, sick leave, and unused compensated absences at various rates subject to certain maximum limitations. Employees are allowed to convert the available amount at the time retirement to offset their share of future health insurance premiums.

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

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

***Retirement Plans and Other Benefits***

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

In addition to providing pension benefits, the School District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if School District employees are eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 10).

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Deferred Outflow of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. First is the deferred charge on refunding of debt reported in the District-Wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and difference during the measurement period between the School District's contributions and its proportion share of total contributions not included in pension expense.

***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 School District has two items that qualify for reporting in this category. First is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the School District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the District-wide Statement of Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

***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, constructions or improvements of those assets.

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

***(b) Fund Statements***

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

***Nonspendable***

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 School 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 net position 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:

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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- ***Reserve for Workers' Compensation***

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve is 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. The reserve is accounted for in the General Fund.

- ***Reserve for Unemployment Insurance***

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.

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

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve was 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.

- ***Retirement Contribution Reserve***

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund.

- ***Capital Reserve***

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

On May 21, 2018, the voters and Board of Education establish a ten-year reserve fund pursuant to section 3651 of the Education Law for the maximum amount of \$10,000,000 to be used for construction, renovations, improvements and additions to the District facilities, such reserve fund to be funded from any excess General Fund monies during the term of such reserve fund.

- ***Capital Fund***

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

- ***Debt Service***

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.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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- **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.
- **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 School 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 equity amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

***New Accounting Standard***

The School District changed accounting policies related to the financial statement presentation of other postemployment benefits (OPEB) with the adoption of Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain post employee benefits and disclosures related to all fair value measurements.

***Future Changes in Accounting Standards***

- GASB Statement No. 84 – Fiduciary Activities      Effective for the year ended June 30, 2020
- GASB Statement No. 87 – Leases      Effective for the year ended June 30, 2021

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

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic 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 differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

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

***(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.



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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

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

**(d) Employee Benefit Allocation**

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

**(e) Pension differences**

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

**(f) OPEB Differences**

OPEB differences occur as a result of changes in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

**3. STEWARDSHIP AND COMPLIANCE**

***General Fund – Statutory Unassigned Fund Balance Limit***

The School District's unassigned fund balance was under the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming school year. At June 30, 2018, the School District's unassigned fund balance was 2.9% of the 2018-2019 budget.

***Statutory Debt Limit***

At June 30, 2018, the School District was in compliance with the statutory debt limit.

***NYS Real Property Tax Cap***

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The School District was in compliance with the tax cap for the year ended June 30, 2018.

***Budgetary Procedures and Budgetary Accounting***

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

The voters of the School District approved the proposed 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. 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.

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

Budgets are established and used for individual Capital Fund expenditures as approved by a special referendum of the School 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.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***Budget Revisions***

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

**Change from Adopted Budget to Revised Budget**

|                                |                          |
|--------------------------------|--------------------------|
| Adopted Budget                 | \$ 32,525,700            |
| Add: Prior Year's Encumbrances | <u>323,310</u>           |
| Original Budget                | <u>32,849,010</u>        |
| Additions:                     |                          |
| Appropriated Capital Reserve   | 5,000,000                |
| Donations                      | <u>6,760</u>             |
| Total Additions                | <u>5,006,760</u>         |
| <br>Final Budget               | <br><u>\$ 37,855,770</u> |

***Encumbrances***

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

**4. PARTICIPATION IN BOCES**

During the year ended June 30, 2018, the School District was billed \$5,181,560 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,906,592. Financial statements for the BOCES are available from the BOCES' administrative office.

**5. CASH AND CASH EQUIVALENTS**

***Custodial Credit and Currency Risks***

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. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these Notes.

As of June 30, 2018, The School District's bank balances of \$17,787,441 were not exposed to custodial credit risk because they were covered by FDIC or collateralized with securities held by the pledging financial institution in the School District's name.

***Restricted Cash***

Restricted cash of \$8,192,033 in the General Fund represents funds held by the School District in the Workers' Compensation Reserve, Unemployment Insurance Reserve, the Retirement Contribution Reserve, and the Reserve for Employee Benefit Accrued Liability, and Capital Reserve funds established by the School District.

Restricted cash of \$877,646 in Debt Service Fund represents funds held by the School District from unspent debt proceeds and interest earned on debt proceeds to be appropriated for debt service.

Restricted cash of \$4,775,864 in Capital Fund represents funds held by the School District from unspent funds from a capital reserve.

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is as follows:

|   | Beginning<br>Balance | Additions           | Deletions        | Ending<br>Balance    |
|---|----------------------|---------------------|------------------|----------------------|
| <b>Capital Assets Not Being Depreciated</b> |                      |                     |                  |                      |
| Land  | \$ 160,175           | \$ 47,078           | \$               | \$ 207,253           |
| Construction in Progress                    |                      | 1,038,512           |                  | 1,038,512            |
| Total                                       | 160,175              | 1,085,590           |                  | 1,245,765            |
| <b>Capital Assets Being Depreciated</b>     |                      |                     |                  |                      |
| Buildings and Improvements                  | 64,337,108           |                     |                  | 64,337,108           |
| Furniture, Equipment and Vehicles           | 5,240,005            | 331,842             | 421,260          | 5,150,587            |
| Total                                       | 69,577,113           | 331,842             | 421,260          | 69,487,695           |
| Accumulated Depreciation                    |                      |                     |                  |                      |
| Buildings and Improvements                  | 21,187,794           | 1,619,984           |                  | 22,807,778           |
| Furniture, Equipment and Vehicles           | 2,648,881            | 486,557             | 399,230          | 2,736,208            |
| Total                                       | 23,836,675           | 2,106,541           | 399,230          | 25,543,986           |
| <b>Net Capital Assets Being Depreciated</b> | 45,740,438           | (1,774,699)         | 22,030           | 43,943,709           |
| <b>Net Capital Assets</b>                   | <u>\$ 45,900,613</u> | <u>\$ (689,109)</u> | <u>\$ 22,030</u> | <u>\$ 45,189,474</u> |

Depreciation expense is charged as follows:

|                      |                     |
|----------------------|---------------------|
| Function/Program     |                     |
| General Support      | \$ 421,309          |
| Instruction          | 1,474,579           |
| Pupil Transportation | 172,736             |
| Food Service Program | 37,917              |
| Total Depreciation   | <u>\$ 2,106,541</u> |

**7. LONG-TERM LIABILITIES**

Long-term liability balances and activity are as follows:

| Description                    | Outstanding<br>Beginning<br>Balance | Prior Period<br>Adjustment | Issued              | Paid                  | Outstanding<br>Ending<br>Balance | Due Within<br>One Year |
|--------------------------------|-------------------------------------|----------------------------|---------------------|-----------------------|----------------------------------|------------------------|
| <b>Governmental Activities</b> |                                     |                            |                     |                       |                                  |                        |
| Bonds Payable                  | \$ 23,855,000                       | \$                         | \$                  | \$ (3,180,000)        | \$ 20,675,000                    | \$ 3,275,000           |
| Unamortized Premium            | 171,144                             |                            |                     | (33,016)              | 138,128                          | 33,016                 |
| OPEB Liability                 | 9,019,059                           | 32,778,203                 | 2,424,167           | (3,088,418)           | 41,133,011                       |                        |
| Compensated Absences           | 4,642,775                           |                            |                     | (297,987)             | 4,344,788                        |                        |
| Total Governmental Activities  | <u>\$ 37,687,978</u>                | <u>\$ 32,778,203</u>       | <u>\$ 2,424,167</u> | <u>\$ (6,599,421)</u> | <u>\$ 66,290,927</u>             | <u>\$ 3,308,016</u>    |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
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***Long-Term Debt Maturity Schedule***

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

| <u>Payable From/Description</u> | <u>Date of<br/>Original<br/>Issue</u> | <u>Original<br/>Amount</u> | <u>Date of<br/>Final<br/>Maturity</u> | <u>Interest<br/>Rate (%)</u> | <u>Outstanding<br/>Amount</u> |
|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|------------------------------|-------------------------------|
| General Fund                    |                                       |                            |                                       |                              |                               |
| Serial Bond A (Refunding)       | 03/12                                 | \$ 1,235,000               | 04/23                                 | 2.0-4.0                      | \$ 610,000                    |
| Serial Bond B (Refunding)       | 03/12                                 | \$ 11,880,000              | 01/23                                 | 2.0-4.0                      | 5,825,000                     |
| Building Renovations            | 06/12                                 | \$ 18,250,000              | 06/26                                 | 2.0-3.1                      | 11,315,000                    |
| Refunding 2005 & 2006           | 07/14                                 | \$ 3,660,000               | 01/21                                 | 1.5-3.0                      | 1,685,000                     |
| Building Renovations            | 06/15                                 | \$ 1,551,000               | 06/28                                 | 2.5-3.0                      | 1,240,000                     |
| Total                           |                                       |                            |                                       |                              | <u>\$ 20,675,000</u>          |

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

| <u>For the Year Ending<br/>June 30,</u> | <u>Serial Bonds</u>  |                     |                      |
|---|----------------------|---------------------|----------------------|
|   | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
| 2019                                    | \$ 3,275,000         | \$ 605,962          | \$ 3,880,962         |
| 2020                                    | 3,345,000            | 527,100             | 3,872,100            |
| 2021                                    | 3,045,000            | 433,637             | 3,478,637            |
| 2022                                    | 2,830,000            | 332,263             | 3,162,263            |
| 2023                                    | 2,930,000            | 233,613             | 8,616,389            |
| 2024-2028                               | 5,250,000            | 346,976             | 144,200              |
| Total                                   | <u>\$ 20,675,000</u> | <u>\$ 2,479,551</u> | <u>\$ 23,154,551</u> |

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

Total interest for the year was as follows:

|  |                   |
|--|-------------------|
| Interest Paid  | \$ 693,906        |
| Amortization of Deferred Charge on Advance Refunding | 15,716            |
| Amortization of Deferred Premium                     | (33,016)          |
| Less: Interest Accrued in the Prior Year             | (137,613)         |
| Plus: Interest Accrued in the Current Year           | <u>114,788</u>    |
| Total Interest Expense on Long-Term Debt             | <u>\$ 653,781</u> |

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

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2018, \$8,475,000 of bonds outstanding are considered defeased.

***Premium on Bonds***

The original issue premiums on bonds has been deferred and recorded as an addition to long-term liabilities on the District-Wide financial statements. The premiums are being amortized using the straight-line method over 7 to 10 years, the remaining time to maturity of the respective bond issue. The current year amortization is \$33,016 and is included as a reduction to interest expense on the statement of activities.

|   |                   |
|---|-------------------|
| Deferred Premium from Refunding of Debt | \$ 289,736        |
| Less: Amount Recognized                 | <u>(151,608)</u>  |
| Net Capitalized Refunding of Debt Costs | <u>\$ 138,128</u> |



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

***Deferred Outflows of Resources***

The cost of issuing the serial bonds has been capitalized and recorded as a deferred outflow on the District-Wide financial statements. The cost is being amortized using the straight-line method over 7 years, the remaining time to maturity of the bonds. The current year amortization is \$15,716 and is included as an addition to interest expense on the statement of activities.

|   |                         |
|---|-------------------------|
| Deferred Charge from Refunding of Debt  | \$ 110,012              |
| Less: Accumulated Amortization          | <u>(62,864)</u>         |
| Net Capitalized Refunding of Debt Costs | <u><u>\$ 47,148</u></u> |

**8. INTERFUND BALANCES AND ACTIVITY**

The following is a summary of the Interfund Transactions for the year ended June 30, 2018:

| Fund Type        | Interfund         |                   | Interfund           |                     |
|------------------|-------------------|-------------------|---------------------|---------------------|
|                  | Receivables       | Payables          | Revenues            | Expenditures        |
| General          | \$ 391,642        | \$ 49,614         | \$ 100,000          | \$ 5,041,669        |
| School Lunch     |                   |                   |                     |                     |
| Special Aid      | 49,614            | 391,615           | 41,669              |                     |
| Debt Service     |                   |                   |                     | 100,000             |
| Capital Fund     |                   |                   | 5,000,000           |                     |
| Trust and Agency |                   | <u>27</u>         |                     |                     |
| Total            | <u>\$ 441,256</u> | <u>\$ 441,256</u> | <u>\$ 5,141,669</u> | <u>\$ 5,141,669</u> |

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. These balances are considered current.

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The interfund transfer from a capital reserve in the General Fund to the Capital Fund was Board and voter approved for the new capital project.

The interfund transfer from the Debt Service to the General Fund was made to utilize the funds to offset debt service costs in the General fund.

The interfund transfer from the General Fund to the Special Aid Fund was made to fund the School District's 20% portion of the Summer School Program.

**9. 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. 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

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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 before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. 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, 2018, were paid.

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

|      | <u>Amount</u> |
|------|---------------|
| 2016 | \$ 406,698    |
| 2017 | \$ 344,428    |
| 2018 | \$ 363,169    |

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

At June 30, 2018, the School District reported a liability of \$298,642 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was .0092532 percent which is an increase of .0007957 percent from prior year's proportionate share of .0084575 percent.

For the year ended June 30, 2018, the School District recognized pension expense of \$359,530. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 106,516                                | \$ 88,021                                |
| Change of assumptions   | 198,024                                   |  |
| Net difference between projected and actual earnings on<br>Pensions plan investments                    | 433,754                                   | 856,186                                  |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 37,910                                    | 26,947                                   |
| Contributions subsequent to the measurement date  | 99,110                                    |  |
| Total   | <u>\$ 875,314</u>                         | <u>\$ 971,154</u>                        |

At June 30, 2018, \$110,655 was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension 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:

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| Year Ended June 30, |    |           |
|---------------------|----|-----------|
| 2019                | \$ | 62,418    |
| 2020                | \$ | 50,913    |
| 2021                | \$ | (215,626) |
| 2022                | \$ | (92,655)  |

**(d) Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

|  |   |
|--|---|
| Investment Rate of Return<br>(Net of Investment Expense,<br>including Inflation) | 7.00%   |
| Salary Scale   | 3.80%   |
| Decrement Tables   | April 1, 2010 - March 31, 2015<br>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, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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, 2018 are summarized below.

| Asset Class                | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|----------------------------|----------------------|--|
| Domestic Equity            | 36.00%               | 4.55%  |
| International Equity       | 14.00%               | 6.35%  |
| Private Equity             | 10.00%               | 7.50%  |
| Real Estate                | 10.00%               | 5.55%  |
| Absolute Return Strategies | 2.00%                | 3.75%  |
| Opportunistic Portfolio    | 3.00%                | 5.68%  |
| Real Assets                | 3.00%                | 5.29%  |
| Bonds and Mortgages        | 17.00%               | 1.31%  |
| Cash                       | 1.00%                | -0.25%                                       |
| Inflation-Indexed Bonds    | 4.00%                | 1.25%  |
|                            | 100.00%              |  |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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**(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%<br>Decrease<br>6.0% | Current<br>Assumption<br>7.0% | 1%<br>Increase<br>8.0% |
|---|------------------------|-------------------------------|------------------------|
| Proportionate share of<br>the net pension liability (asset) | \$ 2,259,605           | \$ 298,642                    | \$ (1,360,254)         |

**(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 \$99,110 at June 30, 2018. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2018-2019 billing cycle and has been accrued as an expenditure in the current year.

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

**(a) Plan Description**

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits. The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by 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

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System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

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

|      | Amount       |
|------|--------------|
| 2016 | \$ 1,258,081 |
| 2017 | \$ 1,158,321 |
| 2018 | \$ 988,542   |

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

At June 30, 2018, the School District reported an asset of \$474,059 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the School District's proportion was .062368 percent, which was an increase of .000883 percent from its proportion measured as of June 30, 2016 of .0614850 percent.

For the year ended June 30, 2018, the School District recognized a pension expense of \$1,187,254. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 390,034                        | \$ 184,830                       |
| Changes of assumptions  | 4,823,644                         |                                  |
| Net difference between projected and actual earnings on<br>Pensions plan investments                    |                                   | 1,116,546                        |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 106,790                           | 173,671                          |
| Contributions subsequent to the measurement date  | 988,542                           |                                  |
| Total   | <u>\$ 6,309,010</u>               | <u>\$ 1,475,047</u>              |



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At June 30, 2018, \$988,542 was reported as a deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date, and, will be recognized as a reduction of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> |    |           |
|----------------------------|----|-----------|
| 2018                       | \$ | 105,116   |
| 2019                       | \$ | 1,271,601 |
| 2020                       | \$ | 908,674   |
| 2021                       | \$ | 222,129   |
| 2022                       | \$ | 906,017   |
| Thereafter                 | \$ | 431,884   |

**(d) Actuarial Assumptions**

The total pension asset/liability at June 30, 2017 measurement date was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension asset/liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the June 30, 2016 valuation were as follows:

|                 |  |
|-----------------|--|
| Investment Rate |  |
| of Return       | 7.25 % 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%                      |

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP 2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions 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.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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, 2016 is summarized in the following table:

| Asset Class                        | Target Allocation | Long-Term Expected Real Rate of Return* |
|------------------------------------|-------------------|---|
| Domestic equity                    | 35.0%             | 5.9%                                    |
| International equity               | 18.0%             | 7.4%                                    |
| Real estate                        | 11.0%             | 4.3%                                    |
| Private Equities                   | 8.0%              | 9.0%                                    |
| Domestic fixed income securities   | 16.0%             | 1.6%                                    |
| Global fixed income securities     | 2.0%              | 1.3%                                    |
| High-yield fixed income securities | 1.0%              | 3.9%                                    |
| Mortgages                          | 8.0%              | 2.8%                                    |
| Short-term                         | 1.0%              | 0.6%                                    |
|                                    | 100.0%            |   |

\* Real rates of return are net of the long-term inflation assumption of 2.2% for 2017.

**(e) Discount Rate**

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 asset/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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|   | 1%<br>Decrease<br>6.25% | Current<br>Assumption<br>7.25% | 1%<br>Increase<br>8.25% |
|---|-------------------------|--------------------------------|-------------------------|
| Proportionate share of<br>the net pension liability (asset) | \$ 8,166,636            | \$ (474,059)                   | \$ (7,710,212)          |

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

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

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

The School District has recorded an amount due to TRS in amount of \$988,542 (excluding employees share) in the General Fund at June 30, 2018. This amount represents contribution for the 2017-2018 fiscal year that will be made in 2018-2019 and has been accrued as an expenditure in the current year.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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**10. POSTRETIREMENT HEALTH CARE BENEFITS**

***(a) Plan Description***

The School District administers the Hannibal Retiree Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The plans are single-employer defined benefit OPEB plans administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board.

The Plan does not issue a standalone publicly available financial report since no assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

***(b) Benefits Provided***

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:

- Teachers and Nurses (HFA) and Administrators - Employees are eligible when they meet the retirement requirements of the NYS Teachers' Retirement System. The School contributes between 50% to 65% of the insurance premium for the retiree and surviving spouse.
- Other Unions - Employees are eligible when they meet the retirement requirements of the NYS Employees' Retirement System and have 10 years of service with the School or 15 years if hired after 2006. The School contributes between 35% to 65% of the insurance premium for the retiree and surviving spouse.

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

***(c) Employees Covered by Benefit Terms***

|   | <u>Total</u>      |
|---|-------------------|
| Inactive employees currently receiving benefit payments               | 127               |
| Inactive employees entitled to but not yet receiving benefit payments | 0                 |
| Active employees  | <u>253</u>        |
| Total   | <u><u>380</u></u> |

***(d) Total OPEB Liability***

The District's total OPEB liability of \$41,133,011 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2016.

***(e) Changes in the Net OPEB Liability***

Changes in the District's total OPEB liability were as follows:

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Balances, June 30, 2017                | <u>\$ 41,797,262</u>            |
| Changes recongnized for the year:      |                                 |
| Service cost                           | 945,699                         |
| Interest on Total OPEB Liability       | 1,478,468                       |
| Changes of Assumptions or Other Inputs | (2,089,863)                     |
| Benefit payments                       | <u>(998,555)</u>                |
| Net changes                            | <u>(664,251)</u>                |
| Balances, June 30, 2018                | <u><u>\$ 41,133,011</u></u>     |



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**(f) Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

|                      | 1%<br>Decrease<br>(2.87%) | Current<br>Assumption<br>(3.87%) | 1%<br>Increase<br>(4.87%) |
|----------------------|---------------------------|----------------------------------|---------------------------|
| Total OPEB liability | \$ 50,636,627             | \$ 41,133,011                    | \$ 35,756,802             |

**(g) Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current healthcare cost trend rate:

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

**(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the School District recognized OPEB expense of \$2,194,398. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                      | 1%<br>Decrease<br>(4.5%) | Current<br>Assumption<br>(5.5%) | 1%<br>Increase<br>(6.5%) |
|----------------------|--------------------------|---------------------------------|--------------------------|
| Total OPEB liability | \$ 35,255,235            | \$ 41,133,011                   | \$ 51,430,775            |

Contributions subsequent to the measurement date will be recognized in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$                                | \$                               |
| Changes of assumptions or other inputs             |                                   | (1,860,094)                      |
| Contributions subsequent to the measurement date   |                                   |                                  |
| Total  | \$                                | \$ (1,860,094)                   |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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***(i) Actuarial Methods and Assumptions***

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

|  |  |
|--|--|
| Valuation Date                             | June 30, 2016  |
| Measurement Date                           | June 30, 2018  |
| Reporting Date                             | June 30, 2018  |
| Actuarial Cost Method                      | Entry Age Normal - Level Percent of Pay  |
| Plan Type                                  | Single Employer Defined Benefit Plan   |
| Inflation rate                             | 2.20%  |
| Real Wage Growth                           | 1.00%  |
| Wage Inflation                             | 3.20%  |
| Salary Increases, Including Wage Inflation | 10.47 to 3.20%   |
| Healthcare Cost Trend Rates                | 5.50 to 3.84%  |
| Discount Rate                              | 3.87%  |
| Mortality                                  | Mortality rates were based on April 1,2010-<br>March 31,2015 NYSLRS experience with<br>adjustments for mortality improvements<br>based on the Society of Actuaries' Scale MP-<br>2014. |

The following changes in actuarial assumptions have been made since the prior measurement date:

- Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

**Discount Rate** – The selected discount rate of 3.87% is based on the Bond Buyer General Obligation 20-Municipal Bond Index.

**Cash Flows** – The cash flows into and out of the Plan are expected to be consistent with the above assumptions and Plan descriptions of participant contributions.

**11. COMMITMENTS AND CONTINGENCIES**

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 three years.

***Risk Financing and Related Insurance***

***(a) Workers' Compensation***

The School District incurs costs related to the Onondaga-Cortland-Madison Self-Funded Workers' Compensation Consortium Plan (Plan) sponsored by the Board of Cooperative Educational Services, Onondaga-Cortland-Madison. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any school district with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairperson of the Board of Directors and the Treasurer not less than sixty (60) days prior to the end of the Plan year.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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Plan membership is currently comprised of 19 members and Onondaga-Cortland-Madison BOCES. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee. Pursuant to General Municipal Law, the municipal agreement does not transfer risk.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$171,628.

**(b) Union Agreements**

The School District has the following bargaining unit agreements in place with the related expiration dates:

|  |                       |
|--|-----------------------|
| Hannibal Administrators and Supervisors Association                        | Expires June 30, 2021 |
| Hannibal Faculty Association   | Expires June 30, 2021 |
| Civil Service Employees' Association (CSEA)                                | Expires June 30, 2019 |
| Hannibal Central School Association of Educational<br>Office Professionals | Expires June 30, 2021 |
| Hannibal Employees' Association  | Expires June 30, 2022 |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**12. FUND BALANCE**

(a) The following is a summary of the change in General fund restricted reserve funds during the year ended June 30, 2018:

|  | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance   |
|--|----------------------|---------------------|---------------------|---------------------|
| <b>Restricted</b>                          |                      |                     |                     |                     |
| General Fund                               |                      |                     |                     |                     |
| Workers' Compensation                      | \$ 529,528           | \$ 5,438            | \$                  | \$ 534,966          |
| Unemployment Insurance                     | 136,529              | 1,531               |                     | 138,060             |
| Employees' Retirement Contribution Reserve | 2,072,367            | 21,143              |                     | 2,093,510           |
| Employee Benefit Accrued Liability         | 3,816,927            | 807,125             | 998,555             | 3,625,497           |
| Capital Reserve - Transportation           | 500,000              |                     |                     | 500,000             |
| Capital Reserves - Facilities              | 5,000,000            | 1,300,000           | 5,000,000           | 1,300,000           |
| Total General Fund Restricted              | <u>\$ 12,055,351</u> | <u>\$ 2,135,237</u> | <u>\$ 5,998,555</u> | <u>\$ 8,192,033</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, 2018:

|  | General              | School<br>Lunch   | Debt<br>Service   | Capital             | Total                |
|--|----------------------|-------------------|-------------------|---------------------|----------------------|
| <b>Nonspendable</b>                        | <u>\$</u>            | <u>\$ 31,716</u>  | <u>\$</u>         | <u>\$</u>           | <u>\$ 31,716</u>     |
| <b>Restricted</b>                          |                      |                   |                   |                     |                      |
| Workers' Compensation Reserve              | 534,966              |                   |                   |                     | 534,966              |
| Unemployment Insurance Reserve             | 138,060              |                   |                   |                     | 138,060              |
| Employees' Retirement Contribution Reserve | 2,093,510            |                   |                   |                     | 2,093,510            |
| Employee Benefit Accrued Liability Reserve | 3,625,497            |                   |                   |                     | 3,625,497            |
| Capital Reserve - Transportation           | 500,000              |                   |                   |                     | 500,000              |
| Capital Reserves - Facilities              | 1,300,000            |                   |                   |                     | 1,300,000            |
| Debt Service                               |                      |                   | 877,646           |                     | 877,646              |
| Capital Projects                           |                      |                   |                   | 3,999,861           | 3,999,861            |
| Total Restricted                           | <u>8,192,033</u>     |                   | <u>877,646</u>    | <u>3,999,861</u>    | <u>13,069,540</u>    |
| <b>Assigned</b>                            |                      |                   |                   |                     |                      |
| General Support                            | 109,502              |                   |                   |                     | 109,502              |
| Instruction                                | 55,829               |                   |                   |                     | 55,829               |
| Pupil Transportation                       | 2,077                |                   |                   |                     | 2,077                |
| School Lunch                               |                      | 129,329           |                   |                     | 129,329              |
| Appropriated for Subsequent Year's Budget  | 1,125,227            |                   |                   |                     | 1,125,227            |
| Total Assigned                             | <u>1,292,635</u>     | <u>129,329</u>    |                   |                     | <u>1,421,964</u>     |
| <b>Unassigned</b>                          | <u>948,794</u>       |                   |                   |                     | <u>948,794</u>       |
| Total Fund Equity                          | <u>\$ 10,433,462</u> | <u>\$ 161,045</u> | <u>\$ 877,646</u> | <u>\$ 3,999,861</u> | <u>\$ 15,472,014</u> |

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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**13. Prior Period Adjustment – Cumulative Effect of a Change in Accounting Principle**

**Other Postemployment Benefits Other Than Pension**

A prior period adjustment of \$32,778,203 has been reflected in the District-Wide financial statements to increase beginning net OPEB liability to implement GASB 75 which more accurately reflects the liability at June 30, 2017.

**14. Net Position Deficit – District-Wide**

The District-Wide Net Position had total net position deficit of \$2,643,633. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of \$41,133,011 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2018**

|  | Original<br>Budget   | Final<br>Budget      | Actual               |                   | Final Budget<br>Variance With<br>Actual |
|--|----------------------|----------------------|----------------------|-------------------|---|
| <b>Revenues</b>                              |                      |                      |                      |                   |   |
| Local Sources                                |                      |                      |                      |                   |   |
| Real Property Taxes                          | \$ 6,610,504         | \$ 4,916,116         | \$ 4,909,897         | \$                | (6,219)                                 |
| Star and Other Real Property Tax Items       |                      | 1,694,388            | 1,744,405            |                   | 50,017                                  |
| Charges for Services                         |                      |                      | 2,064                |                   | 2,064                                   |
| Use of Money and Property                    |                      |                      | 133,810              |                   | 133,810                                 |
| Sale of Property and Compensation for Loss   |                      |                      | 42,740               |                   | 42,740                                  |
| Miscellaneous                                | 400,000              | 406,760              | 472,207              |                   | 65,447                                  |
| State Aid                                    | 23,575,000           | 23,575,000           | 24,099,784           |                   | 524,784                                 |
| Federal Aid                                  |                      |                      | 106,363              |                   | 106,363                                 |
| Total Revenues                               | 30,585,504           | 30,592,264           | 31,511,270           |                   | 919,006                                 |
| <b>Other Financing Sources</b>               |                      |                      |                      |                   |   |
| Transfers from Other Funds                   |                      |                      | 100,000              |                   | 100,000                                 |
| Appropriated Reserves                        | 815,000              | 5,815,000            |                      |                   | (5,815,000)                             |
| Appropriated Fund Balance                    | 1,448,506            | 1,448,506            |                      |                   | (1,448,506)                             |
| Total Revenues and Other Financing Sources   | <u>\$ 32,849,010</u> | <u>\$ 37,855,770</u> | <u>31,611,270</u>    | <u>\$</u>         | <u>(6,244,500)</u>                      |
| <b>Expenditures</b>                          |                      |                      |                      |                   |   |
| General Support                              |                      |                      |                      |                   |   |
| Board of Education                           | \$ 36,500            | \$ 36,500            | 34,460               | \$                | 2,040                                   |
| Central Administration                       | 189,000              | 191,840              | 189,296              | 1,322             | 1,222                                   |
| Finance                                      | 341,700              | 364,895              | 343,759              |                   | 21,136                                  |
| Staff  | 158,500              | 167,319              | 122,863              |                   | 44,456                                  |
| Central Services                             | 3,071,897            | 2,980,539            | 2,560,620            | 108,180           | 311,739                                 |
| Special Items                                | 642,500              | 637,500              | 625,522              |                   | 11,978                                  |
| Total General Support                        | 4,440,097            | 4,378,593            | 3,876,520            | 109,502           | 392,571                                 |
| Instruction                                  |                      |                      |                      |                   |   |
| Instruction, Administration, and Improvement | 1,014,910            | 953,181              | 925,910              | 1,500             | 25,771                                  |
| Teaching - Regular School                    | 7,321,788            | 7,163,653            | 6,283,412            | 29,619            | 850,622                                 |
| Programs for Children With Special Needs     | 4,191,492            | 3,972,201            | 3,702,221            | 6,000             | 263,980                                 |
| Occupational Education                       | 703,000              | 803,500              | 803,430              |                   | 70                                      |
| Teaching - Special School                    | 444,000              | 483,900              | 483,889              |                   | 11                                      |
| Instructional Media                          | 944,337              | 1,250,144            | 1,227,577            | 6,147             | 16,420                                  |
| Pupil Services                               | 1,107,343            | 1,272,493            | 1,111,111            | 12,563            | 148,819                                 |
| Total Instruction                            | 15,726,870           | 15,899,072           | 14,537,550           | 55,829            | 1,305,693                               |
| Pupil Transportation                         | 1,952,043            | 2,463,295            | 2,356,359            | 2,077             | 104,859                                 |
| Employee Benefits                            | 6,770,000            | 6,113,747            | 5,641,636            |                   | 472,111                                 |
| Debt Service - Principal                     | 3,200,000            | 3,200,000            | 3,180,000            |                   | 20,000                                  |
| Debt Service - Interest                      | 700,000              | 700,000              | 693,906              |                   | 6,094                                   |
| Total Expenditures                           | 32,789,010           | 32,754,707           | 30,285,971           | 167,408           | 2,301,328                               |
| <b>Other Financing Uses</b>                  |                      |                      |                      |                   |   |
| Transfers to Other Funds                     | 60,000               | 5,101,063            | 5,041,669            |                   | 59,394                                  |
| Total Expenditures                           | <u>\$ 32,849,010</u> | <u>\$ 37,855,770</u> | <u>35,327,640</u>    | <u>\$ 167,408</u> | <u>\$ 2,360,722</u>                     |
| <b>Net Change in Fund Balance</b>            |                      |                      | (3,716,370)          |                   |   |
| <b>Fund Balance - Beginning of Year</b>      |                      |                      | 14,149,832           |                   |   |
| <b>Fund Balance - End of Year</b>            |                      |                      | <u>\$ 10,433,462</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.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
For the Year Ended June 30, 2018**

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|   | <u>2018</u>                 |
|---|-----------------------------|
| Service cost  | \$ 945,699                  |
| Interest  | 1,478,468                   |
| Changes in assumptions or other inputs                  | (2,089,863)                 |
| Expected benefit payments                               | <u>(998,555)</u>            |
| Net change in total OPEB liability                      | (664,251)                   |
| <br>Total OPEB liability - beginning of year            | <br><u>41,797,262</u>       |
| Total OPEB liability - ending of year                   | <u><u>\$ 41,133,011</u></u> |
| <br>Covered employee payroll                            | <br>\$13,125,772            |
| Total OPEB liability as a percentage of covered payroll | 313.38%                     |

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

**Notes to Required Supplementary Information:**

The Districts' OPEB Plan is no assets.

**Actuarial Assumptions**

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

**Changes to Assumptions -**

The Municipal Bond Index Rate increased to 3.87% at June 30, 2018 from 3.58% at June 30, 2017.

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS**  
**For the Year Ended June 30, 2018**

**ERS Pension Plan**

|   | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution                                     | \$ 363,169     | \$ 344,428     | \$ 406,698     | \$ 447,320     | \$ 470,195     | \$ 460,649     | \$ 370,391     | \$ 275,617     | \$ 181,863     | \$ 213,842     |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>363,169</u> | <u>344,428</u> | <u>406,698</u> | <u>447,320</u> | <u>470,195</u> | <u>460,649</u> | <u>370,391</u> | <u>275,617</u> | <u>181,863</u> | <u>213,842</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<br>Employee Payroll                       | \$ 2,637,154   | \$ 2,310,895   | \$ 2,357,002   | \$ 2,358,187   | \$ 2,266,796   | \$ 2,501,304   | \$ 2,343,639   | \$ 2,518,639   | \$ 2,563,458   | \$ 2,487,961   |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 13.77%         | 14.90%         | 17.25%         | 18.97%         | 20.74%         | 18.42%         | 15.80%         | 10.94%         | 7.09%          | 8.60%          |

**TRS Pension Plan**

|   | <u>2018</u>    | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    |
|---|----------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution                                     | \$ 988,542     | \$ 1,158,321     | \$ 1,258,081     | \$ 1,673,992     | \$ 1,405,025     | \$ 1,033,650     | \$ 951,129     | \$ 758,971     | \$ 586,394     | \$ 739,057     |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>988,542</u> | <u>1,158,321</u> | <u>1,258,081</u> | <u>1,673,992</u> | <u>1,405,025</u> | <u>1,033,650</u> | <u>951,129</u> | <u>758,971</u> | <u>586,394</u> | <u>739,057</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<br>Employee Payroll                       | \$ 10,087,163  | \$ 9,883,285     | \$ 9,487,790     | \$ 9,549,298     | \$ 8,646,308     | \$ 8,730,152     | \$ 8,561,017   | \$ 8,804,768   | \$ 9,473,247   | \$ 9,686,199   |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 9.80%          | 11.72%           | 13.26%           | 17.53%           | 16.25%           | 11.84%           | 11.11%         | 8.62%          | 6.19%          | 7.63%          |

See Independent Auditor's Report.



**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Year Ended June 30, 2018**

**ERS Pension Plan**

|   | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability  | 0.0092532%   | 0.0084575%   | 0.0092088%   | 0.0091752%   | 0.0091752%   |
| District's proportionate share of the net pension liability   | \$ 298,642   | \$ 794,685   | \$ 1,478,046 | \$ 309,961   | \$ 414,615   |
| District's covered-employee payroll   | \$ 2,637,154 | \$ 2,310,895 | \$ 2,357,002 | \$ 2,358,187 | \$ 2,266,796 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 11.32%       | 34.39%       | 62.71%       | 13.14%       | 18.29%       |
| Plan fiduciary net position as a percentage of total pension liability                                      | 98.20%       | 94.70%       | 90.70%       | 97.90%       | 97.20%       |

**TRS Pension Plan**

|   | <b>2017</b>  | <b>2016</b>  | <b>2015</b>    | <b>2014</b>    | <b>2013</b>  |
|---|--------------|--------------|----------------|----------------|--------------|
| District's Proportion of the net pension asset/liability  | 0.0623680%   | 0.0614850%   | 0.0635710%     | 0.0585335%     | 0.0596003%   |
| District's proportionate share of the net pension (asset) liability   | \$ (474,059) | \$ 658,532   | \$ (6,603,049) | \$ (6,520,266) | \$ (392,321) |
| District's covered-employee payroll   | \$ 9,883,285 | \$ 9,487,790 | \$ 9,549,298   | \$ 8,646,308   | \$ 8,730,152 |
| District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll | (4.80%)      | 6.94%        | (69.15%)       | (75.41%)       | (4.49%)      |
| Plan fiduciary net position as a percentage of total pension liability  | 100.66%      | 99.01%       | 110.46%        | 111.48%        | 100.70%      |

Information is presented only for the years available.

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET**  
**AND REAL PROPERTY TAX LIMIT - GENERAL FUND**  
**For the Year Ended June 30, 2018**

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**Change from Adopted Budget to Revised Budget**

|                                |                      |
|--------------------------------|----------------------|
| Adopted Budget                 | \$ 32,525,700        |
| Add: Prior Year's Encumbrances | <u>323,310</u>       |
| Original Budget                | <u>32,849,010</u>    |
| Add: Donations                 | 6,760                |
| Appropriated Capital Reserve   | <u>5,000,000</u>     |
| Total Additions                | <u>5,006,760</u>     |
| Final Budget                   | <u>\$ 37,855,770</u> |

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

|   |                            |
|---|----------------------------|
| 2018-19 Voter-Approved Expenditure Budget     | <u>\$ 33,261,000</u>       |
| <b>Maximum Allowed (4% of 2018-19 Budget)</b> | <u><b>\$ 1,330,440</b></u> |

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law :

|   |                |                          |
|---|----------------|--------------------------|
| Unrestricted Fund Balance:  |                |                          |
| Assigned Fund Balance   | \$ 1,292,635   |                          |
| Unassigned Fund Balance   | <u>948,794</u> |                          |
| Total Unrestricted Fund Balance   |                | <u>2,241,429</u>         |
| Less:   |                |                          |
| Appropriated Fund Balance   | 1,125,227      |                          |
| Encumbrances Included in Committed and Assigned Fund Balance                        | <u>167,408</u> |                          |
| Total adjustments   |                | <u>1,292,635</u>         |
| <b>General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law</b> |                | <u><b>\$ 948,794</b></u> |
| <b>Actual Percentage</b>  |                | <b>2.9%</b>              |

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2018**

| PROJECT TITLE              | Original<br>Authorization | Revised<br>Authorization | Expenditures   |                 |              | Unexpended<br>Balance | Methods of Financing |              | Fund<br>Balance<br>June 30, 2018 |
|----------------------------|---------------------------|--------------------------|----------------|-----------------|--------------|-----------------------|----------------------|--------------|----------------------------------|
|                            |                           |                          | Prior<br>Years | Current<br>Year | Total        |                       | Local<br>Sources     | Total        |                                  |
| 2017 District Wide Project | \$ 42,000,000             | \$ 42,000,000            | \$             | \$ 1,038,512    | \$ 1,038,512 | \$ 40,961,488         | \$ 5,038,373         | \$ 5,038,373 | \$ 3,999,861                     |

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
For the Year Ended June 30, 2018**

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|  |                      |
|--|----------------------|
| Capital Assets, Net                            | \$ 45,189,474        |
| Deduct:  |                      |
| Serial Bonds Payable                           | 20,675,000           |
| Less: Unspent Proceeds of Serial Bonds and BAN | (877,646)            |
| Add: Deferred Premium                          | <u>138,128</u>       |
|  | <u>19,935,482</u>    |
| Net Investment in Capital Assets               | <u>\$ 25,253,992</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  
Hannibal 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 Hannibal Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 5, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting 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 financial reporting 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 Hannibal 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

*D'Arcangelo & Co., LLP*

October 5, 2018

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  
Hannibal Central School District

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

We have audited Hannibal 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 Hannibal Central School District's major federal programs for the year ended June 30, 2018. Hannibal 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Hannibal 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 the Hannibal 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 Hannibal Central School District's compliance.

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

Management of Hannibal 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 Hannibal 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 Hannibal 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 5, 2018

Rome, New York

**HANNIBAL CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

| Federal Grantor/Pass-Through Grantor/Program Title   | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Current Year<br>Expenditures |
|--|---------------------------|-------------------------------------|------------------------------|
| <u><b>U.S. Department of Agriculture</b></u>   |                           |                                     |                              |
| (Passed Through the New York State Education Department - Pass through<br>number 460701040000) |                           |                                     |                              |
| Child Nutrition Cluster  |                           |                                     |                              |
| School Breakfast Program   | 10.553                    | N/A                                 | \$ 172,583                   |
| National School Lunch Program  | 10.555                    | N/A                                 | 473,669                      |
| Snack Program  | 10.555                    | N/A                                 | 6,722                        |
| Cash Assistance Subtotal   |                           |                                     | 652,974                      |
| Food Donation (Noncash)  | 10.555                    | N/A                                 | 49,763                       |
| Total U.S. Department of Agriculture (Total Child Nutrition Cluster)                           |                           |                                     | 702,737                      |
| <u><b>U.S. Department of Education</b></u>   |                           |                                     |                              |
| (Passed Through New York State Department of Education)  |                           |                                     |                              |
| Title I Grants to Local Educational Agencies   | 84.010                    | 0021-17-2340                        | 21,120                       |
| Title I Grants to Local Educational Agencies   | 84.010                    | 0021-18-2340                        | 518,041                      |
| School Improvement Grants  | 84.010                    | 0011-17-2056                        | 114,505                      |
| School Improvement Grants  | 84.010                    | 0011-18-2056                        | 58,721                       |
| Total  |                           |                                     | 712,387                      |
| Special Education Cluster (IDEA)   |                           |                                     |                              |
| Special Education - Grants to States (IDEA, Part B)  | 84.027                    | 0032-17-0712                        | 371,278                      |
| Special Education - Preschool Grants (IDEA Preschool)  | 84.173                    | 0033-18-0712                        | 17,202                       |
| Total Special Education Cluster (IDEA)   |                           |                                     | 388,480                      |
| Rural Education, Title VIB   | 84.358                    | 0006-18-2340                        | 23,241                       |
| Total  |                           |                                     | 23,241                       |
| Improving Teacher Quality State Grants (Title II A)  | 84.367                    | 0147-18-2340                        | 78,977                       |
| Total U.S. Department of Education   |                           |                                     | 1,203,085                    |
| <u>Total Federal Financial Assistance</u>  |                           |                                     | <u>\$ 1,905,822</u>          |



**HANNIBAL CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

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

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hannibal Central School District under programs of the federal government for the year ended June 30, 2018. 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).

***Basis of Accounting***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

***Use of Subrecipients***

There were no awards passed through to subrecipients.

***Food Donation***

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2018, the School District had food commodities totaling \$31,716 in inventory.

***De Minimis Indirect Cost Rate***

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS  
 For the Year Ended June 30, 2018**

**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)(iii)  | 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 Agriculture</u><br><br><b>Nutrition Cluster:</b><br>CFDA # 10.553 School Breakfast Program<br>CFDA # 10.555 National School Lunch Program<br>CFDA # 10.555 Snack Program<br>CFDA # 10.555 Food Donation (noncash) |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs  | Type A: > \$ 750,000<br>Type B: all others  |
| (d)(1)(ix)   | Low Risk Auditee?  | Yes   |

**Findings – Financial Statement Audit**

None noted.

**Findings and Questioned Costs – Major Federal Award Programs**

None noted.

**HANNIBAL CENTRAL SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS  
For the Year Ended June 30, 2018**

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***Findings – Financial Statement Audit***

None noted.

***Findings and Questioned Costs – Major Federal Award Programs***

None noted.

## FORM OF OPINION OF BOND COUNSEL

July 31, 2019

Hannibal Central School District  
928 Cayuga Street  
Hannibal, New York 13074

Re: Hannibal Central School District, Oswego and Cayuga Counties, New York  
\$14,000,000 Bond Anticipation Notes, 2019 CUSIP No.: 410684

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$14,000,000 Bond Anticipation Notes, 2019 (the "Notes") of Hannibal Central School District, Counties of Oswego and Cayuga, State of New York (the "District"). The Notes are dated July 31, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before July 31, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

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

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

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

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

Very truly yours,

Trespasz & Marquardt,