PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

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

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

$10,095,000

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT

CHENANGO AND MADISON COUNTIES, NEW YORK

GENERAL OBLIGATIONS

$10,095,000 Bond Anticipation Notes, 2019

(the "Notes")

Dated: August 1, 2019 **Due: June 26, 2020**

The Notes are general obligations of the Sherburne-Earlville Central School District, Chenango and Madison Counties, New York (the "School District" or "District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. The Notes will be issued without the option of prior redemption.

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 Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), or about August 1, 2019.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on July 17, 2019 by no later than 10:30 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.

June 26, 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.

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
CHENANGO AND MADISON COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

THOMAS MORRIS
President

SUSAN OSBORNE
Vice President

RACHEL AMANN-BURNS
ANNETTE-BAGNALL GRAHAM
PETER KARAMAN
DEBRA KURTZ
MICHAEL ULRICH

*   *   *   *   *

ERIC SCHNABL
Superintendent of Schools

TODD GRIFFIN
Assistant Superintendent for Business

MICHELE VILLANTE
School District Clerk

ARLENE WADE
School District Treasurer

FRANK W. MILLER, ESQ.
School District Attorney

FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel

No person has been authorized by Sherburne-Earlville 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 Sherburne-Earlville 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

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT CHENANGO AND MADISON COUNTIES, NEW YORK

Relating To

$10,095,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the Sherburne-Earlville Central School District, Chenango and Madison Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of $10,095,000 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.

NATURE OF OBLIGATION

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

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

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

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

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 thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be dated August 1, 2019 and will mature June 26, 2020. The Notes are not subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form at the option of the Purchaser either (i) registered in the name of the purchaser, or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

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 September 10, 2018, authorizing a capital project for the construction of improvements to and reconstruction of various District facilities, including athletic fields, playgrounds and site improvements in and for the District at a maximum cost of $11,695,000, with such cost being funded with $1,600,000 of capital reserves and $10,095,000 of serial bonds.

The proceeds of the Notes will renew in full $3,500,000 bond anticipation notes maturing August 2, 2019 and provide $6,595,000 new money for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. 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 Sherburne-Earlville Central School District was formed in 1967 when the former Sherburne Central School District merged with the Earlville Central School District. The District is located in the Towns of Columbus, New Berlin, North Norwich, Otselic, Plymouth, Sherburne and Smyrna in Chenango County and the Towns of Brookfield, Georgetown, Hamilton, and Lebanon in Madison County, and covers approximately 158 square miles.

The District is served by a network of State highways. Bus service is available in the City of Binghamton, while air transportation is available in both Binghamton and Syracuse.

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

Water and sewer services are provided primarily by the Village of Sherburne, while outlying areas use private wells and septic systems. Electricity is provided by Sherburne Electric Department and New York State Electric and Gas Corporation. Telephone services are provided by Frontier Telecom. Police protection is provided by the County Sheriff's Departments and the New York State Police. Fire protection and ambulance service are provided by volunteer companies within the area.

The District provides public education for grades K-12. Opportunities for higher education are available at Colgate University and at the many colleges and universities in the surrounding area.

Commercial and financial services are located in the Villages of Sherburne and Earlville. The District is the home of the New York State Rogers Environmental Education Center, Sherburne Music Theater Society, Sherburne Community Chorus and the Earlville Opera House, all of which provide recreational and cultural activities.

Source: District officials.

Population

The current estimated population of the District is 9,057. (Source: 2017 U.S. Census Bureau estimate)

Larger Employers

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

Name	Type	Employees
Norwich Pharmaceuticals	Pharmaceutical	420
Sherburne-Earlville CSD	Public Education	326
New York Central Mutual	Insurance Company	200
Frontier Telecom	Telephone Service	200
Webb & Sons	Manufacturer	100

Source: District officials.

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

	Per Capita Income			Median Family Income		
	2000	2006-2010	2013-2017	2000	2006-2010	2013-2017
Villages of:						
Earlville	$ 15,383	$ 25,495	$ 20,087	$ 33,654	$ 59,722	$ 57,500
Hamilton	13,203	16,216	20,006	68,864	88,542	108,558
New Berlin	15,344	22,302	21,134	36,786	52,452	63,000
Sherburne	18,248	26,975	27,130	39,844	55,417	50,417
Smyrna	12,310	19,850	15,741	33,125	52,500	39,750
Towns of:						
Brookfield	13,719	20,344	24,912	35,915	50,417	60,795
Columbus	13,731	19,858	25,030	31,118	51,364	56,875
Georgetown	11,825	16,257	21,266	38,804	49,643	45,000
Hamilton	15,564	20,203	27,105	50,565	68,235	88,488
Lebanon	15,690	23,035	26,284	39,038	52,054	67,500
New Berlin	16,546	25,485	26,123	40,000	56,250	59,091
North Norwich	17,022	21,178	29,602	42,414	60,125	60,804
Otselic	14,105	17,813	27,591	34,886	47,500	59,792
Plymouth	14,100	23,200	23,646	35,602	61,188	61,136
Sherburne	17,281	25,041	24,541	39,094	58,125	48,450
Smyrna	11,541	20,506	19,168	34,125	55,134	51,776
Counties of:						
Chenango	16,427	22,036	25,233	39,711	52,229	60,177
Madison	19,105	24,311	28,010	47,889	61,828	72,052
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

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

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

Unemployment Rate Statistics

Per capita income statistics are not available for the District as such. The smallest area for which such statistics are available, which includes the District, are Chenango and Madison Counties. The figures set below with respect to such Counties and the State of New York are included for information only. It should not be inferred from the inclusion of such data in the Continuing Disclosure Statement that the Counties or State are necessarily representative of the District, or vice versa.

Annual Averages

	2012	2013	2014	2015	2016	2017	2018
Chenango County	8.6%	7.3%	6.2%	5.4%	5.1%	5.3%	4.7%
Madison County	8.5%	7.6%	6.4%	5.7%	5.3%	5.5%	4.8%
New York State	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%	4.1%

2019 Monthly Figures

	Jan	Feb	Mar	Apr	May	Jun	Jul
Chenango County	5.5%	5.4%	5.0%	4.0%	N/A	N/A	N/A
Madison County	5.5%	5.2%	5.1%	3.9%	N/A	N/A	N/A
New York State	4.6%	4.4%	4.1%	3.6%	3.8%	N/A	N/A

Note: Unemployment rates for June and July 2019 are unavailable as of the date of this Official Statement.

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

Form of School Government

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education (the "Board"). Generally, on the third Tuesday in May of each year, an election is held within the District boundaries to elect one or more members to the Board. The Board consists of seven members serving overlapping three-year terms.

During the first 15 days of July of 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 School District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Business.

Budgetary Procedures

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

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

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

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

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

Recent Budget Vote Results

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 198 in favor to 36 against. The District’s adopted budget for the 2018-19 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called no change in the tax levy, increase which is within the District tax levy limit of 0.86%.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 209 in favor to 37 against. The District’s adopted budget for the 2019-20 fiscal year remains within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a tax decrease of 6.98% which is within the District tax levy limit of (6.98)%.

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 School 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.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 78.16% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

Potential reductions in Federal aid received by the State.

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

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

The State's Enacted 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 94.3% 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 had declined in some prior years before increasing more recently.

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 2016-2017 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District is a part of the Community Schools Grant Initiative (CSGI) and has received $154,286 in grant monies from the State.

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 $5,145,145. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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

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

State Aid Litigation

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

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

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

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

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

State Aid Revenues

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

Fiscal Year	Total Revenues [1]	Total State Aid [1]	Percentage of Total Revenues Consisting of State Aid
2013-2014	$ 29,241,573	$ 21,603,041	73.88%
2014-2015	29,715,372	22,246,530	74.87
2015-2016	30,500,795	22,685,454	74.38
2016-2017	31,650,375	23,634,208	74.67
2017-2018	31,645,968	24,014,735	75.89
2018-2019 (Budgeted)	32,539,165	25,285,378	77.71
2019-2020 (Budgeted)	33,148,558	25,908,887	78.16

(1) General Fund only.

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. This table is not audited.

District Facilities

The District currently operates the following facilities:

Name	Grades	Capacity	Year(s) Built
Sherburne-Earlville Elementary	K-5	921	1995, 2008, 2018
Middle School	6-8	421	1971, 1993, 2008
High School	9-12	630	1971, 1998, 2003, 2008, 2018

Source: District officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2014-2015	1,327	2019-2020	1,275
2015-2016	1,314	2020-2021	1,265
2016-2017	1,300	2021-2022	1,250
2017-2018	1,295	2022-2023	1,245
2018-2019	1,288	2023-2024	1,230

Source: District officials.

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Employees

The District employs 326 full-time employees. The number of members, the collective bargaining units which represent them, and their current contract expiration dates are as follows:

Employees	Union Representation	Contract Expiration Date
139	Sherburne-Earlville Central School District Chenango County Local 809 (CSEA)	June 30, 2020
171	Sherburne-Earlville Teacher's Association (SETA)	June 30, 2023
9	Sherburne-Earlville Central Office (SECO)	June 30, 2020
7	Sherburne-Earlville Administrators Assoc. (SEAA)	June 30, 2023

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

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

Fiscal Year	ERS	TRS
2014-2015	$ 569,559	$ 1,656,916
2015-2016	573,935	1,474,760
2016-2017	497,341	1,241,542
2017-2018	547,285	1,124,592
2018-2019	518,104	1,053,595
2019-2020 (Budgeted)	510,000	1,075,000

Source: District records.

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

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

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

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

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

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

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

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

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

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

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

Other Post Employee Benefits

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

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. The District implemented GASB 75 for the fiscal year ended June 30, 2018. The implementation of this statement requires school districts 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 Questar III BOCES, an actuarial firm, to calculate its first actuarial valuation under GASB 75 for the fiscal year ending June 30, 2018.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the School District has not yet determined whether it will establish such a fund.

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

Balance at June 30, 2017:	$ 41,147,979
Changes for the year:	
Service cost	1,940,993
Interest	1,280,855
Differences between expected and actual experience	(88,411)
Changes of benefit terms	0
Changes in assumptions	0
Benefit payments	(793,447)
Net Changes	2,339,990
Balance at June 30, 2018:	$ 43,487,969

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

Annual OPEB Cost and Net OPEB Obligation:	***2017***	***2016***
Annual required contribution (ARC)	$ 4,075,453	$ 4,009,684
Amortization of unfunded actuarial accrued liability	0	0
Interest on net OPEB obligation	581,942	493,734
Adjustment to ARC	(960,776)	(815,146)
Annual OPEB cost (expense)	3,696,776	3,688,272
Contributions made	(780,917)	(747,999)
Increase in net OPEB obligation	2,915,859	2,940,273
Net OPEB obligation - beginning of year	19,398,075	16,457,802
Net OPEB obligation - end of year	$ 22,313,777	$ 19,398,075
Percentage of annual OPEB cost contributed	21.1%	20.3%

Funding Status

Actuarial Accrued Liability (AAL)	$ 38,827,149	$ 36,147,796
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 38,827,149	$ 36,147,796
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 3,696,619	21.1%	$ 22,313,777
2016	3,688,272	20.3	19,398,075
2015	3,681,705	20.3	16,457,802

Note: The above tables are not audited.

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2018 and is attached hereto as "APPENDIX – D". The audit report covering the period ending June 30, 2019 is unavailable as of the date of this Official Statement. Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

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

Unaudited Results for Fiscal Year Ending June 30, 2019

The District expects to end the fiscal year ending June 30, 2019 with an unappropriated unreserved fund balance of $3,453,075. Summary unaudited information for the General Fund for the period ending June 30, 2019 is as follows:

Revenues:	$ 33,178,846
Expenditures:	$ 32,683,000
Excess (Deficit) Revenues Over Expenditures:	$ 495,846
Total Fund Balance:	$ 6,472,848

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

Source: District officials.

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on March 10, 2017. The purpose of the audit was to review the District's financial management practices for the period July 1, 2015 through November 8, 2016.

Key Findings:

- The District's unrestricted fund balance for the 2013-14, 2014-15 and 2015-16 fiscal years exceeded the statutory maximum of 4 percent of the ensuing year's appropriations.

Key Recommendations:

- Develop a plan to reduce the amount of available fund balance in a manner that benefits District residents.

The District provided a complete response to the State Comptroller's office on March 1, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

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

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Brookfield	$ 1,276,154	$ 1,272,156	$ 1,251,901	$ 1,251,805	$ 1,280,459
Columbus	20,072,906	20,833,362	20,849,084	20,839,771	20,794,156
Georgetown	474,509	474,074	473,984	468,863	468,632
Hamilton	53,108,042	53,427,964	53,360,226	53,840,397	54,773,782
Lebanon	34,276,149	33,067,163	33,064,827	33,277,198	33,784,190
New Berlin	316,094	317,516	317,525	317,598	317,525
North Norwich	30,682,579	30,783,865	30,652,402	31,077,503	31,257,408
Otselic	367,806	364,657	363,387	361,593	357,371
Plymouth	4,732,750	4,718,333	4,809,679	4,829,951	4,865,322
Sherburne	135,380,084	137,248,214	137,459,430	139,389,732	139,576,844
Smyrna	45,576,623	43,059,062	42,508,528	42,946,217	43,309,237
Total Assessed Values	$ 326,263,696	$ 325,566,366	$ 325,110,973	$ 328,600,628	$ 330,784,926
State Equalization Rates					
Towns of:					
Brookfield	100.00%	98.00%	98.00%	98.00%	97.00%
Columbus	100.00%	100.00%	100.00%	100.00%	100.00%
Georgetown	100.00%	90.00%	89.00%	92.00%	91.00%
Hamilton	98.00%	99.00%	100.00%	96.50%	95.00%
Lebanon	100.00%	90.00%	89.00%	92.00%	91.00%
New Berlin	100.00%	100.00%	106.07%	100.00%	100.00%
North Norwich	60.50%	61.00%	61.75%	62.00%	60.00%
Otselic	44.20%	45.70%	46.03%	42.44%	37.59%
Plymouth	55.00%	58.60%	59.27%	59.69%	56.92%
Sherburne	77.00%	81.00%	80.00%	80.50%	80.00%
Smyrna	64.00%	66.00%	66.00%	67.00%	63.60%
Total Taxable Full Valuation	$ 417,791,603	$ 407,682,972	$ 408,245,156	$ 411,230,898	$ 421,890,195

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Towns of:					
Brookfield	$ 16.38	$ 17.40	$ 17.34	$ 17.25	$ 16.99
Columbus	16.38	17.06	16.99	16.91	16.48
Georgetown	16.38	18.95	19.09	18.38	18.11
Hamilton	16.72	17.23	16.99	17.52	17.34
Lebanon	16.38	18.95	19.09	18.38	18.11
New Berlin	16.38	17.06	16.02	16.91	16.48
North Norwich	27.08	27.96	27.51	27.27	27.47
Otselic	37.06	37.32	36.91	39.84	43.84
Plymouth	29.79	29.11	28.67	28.33	28.95
Sherburne	21.28	21.06	21.24	21.01	20.60
Smyrna	25.60	25.84	25.74	25.24	25.91

Tax Collection Procedure

Taxes are due on October 1st. If paid by October 1st, no penalty is imposed. There is a 2% penalty imposed if paid between October 1st and November 1st. Unpaid taxed are turned over to the County Treasurers on November 1th for re-levy on County/Town tax rolls. The District is reimbursed by the Counties for all unpaid taxes the first week in April of each year and is thus assured of 100% collection of its annual levy.

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Total Tax Levy	$ 6,844,279	$ 6,953,787	$ 6,953,787	$ 6,953,787	$ 6,953,787
Amount Uncollected [1]	825,824	835,586	803,181	747,876	568,442
% Uncollected	12.07%	12.02%	11.55%	10.75%	8.17%

[1] See "Tax Collection Procedure" herein.

Real Property Tax Revenues

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

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2013-2014	$ 29,241,573	$ 6,919,495	23.66%
2014-2015	29,715,372	6,844,279	23.03
2015-2016	30,500,795	7,137,531	23.40
2016-2017	31,650,375	7,141,868	22.56
2017-2018	31,645,968	7,157,707	22.62
2018-2019 (Budgeted)	32,539,165	6,953,787	21.37
2019-2020 (Budgeted)	33,148,558	6,468,280	19.51

Source: Audited financial statements for the 2013-2014 fiscal year through and including the 2017-2018 fiscal year, and the budgets of the District for the 2018-2019 and 2019-2020 fiscal years. This table is not audited.

Larger Taxpayers 2018 for 2018-19 Tax Roll

Name	Type	Full Valuation
New York State Electric & Gas	Utility	$ 12,260,025
State of New York	Public	7,887,255
Baillie Lumber Co.	Manufacturer	4,570,597
Frontier Communications	Utility	3,714,712
Westcott 3 LLC	Apartments	1,939,251
Webb, James I.	Properties	1,687,981
Sherburne Meadows Association	Apartments	1,614,907
Kross, Carole	Manufacturer	1,535,821
Maple Avenue Farms, Inc.	Farm	1,373,045
Upstate Portfolio, LLC	Utility	1,357,786

The ten larger taxpayers listed above have a total full valuation of $37,941,380 which represents 8.99% of the tax base of the District.

As of the date of this Official Statement, the District has one outstanding tax certiorari that is known. The District and a local town are working with counsel and the property owner on a resolution. The property owner is not seeking a refund of prior payments, but a reduction in assessed value going forward.

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, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a "basic" exemption on their primary residence.

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

Towns of:	**Enhanced Exemption**	**Basic Exemption**	**Date Certified**
Brookfield	$ 66,640	$ 29,100	4/9/2019
Columbus	68,700	30,000	4/9/2019
Georgetown	65,520	27,300	4/9/2019
Hamilton	65,270	28,500	4/9/2019
Lebanon	62,520	27,300	4/9/2019
New Berlin	68,700	30,000	4/9/2019
North Norwich	41,220	18,000	4/9/2019
Otselic	25,820	11,330	4/9/2019
Plymouth	39,100	17,080	4/9/2019
Sherburne	54,960	24,000	4/9/2019
Smyrna	43,690	19,080	4/9/2019

$1,264,444 of the District's $6,953,787 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.

Approximately $1,176,162 of the District's $6,468,280 school tax levy for the 2019-20 fiscal year is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2020.

Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Agricultural - 7.88%, Residential - 65.57%, State Land - 2.10% and Commercial - 24.45%.

The estimated annual school district property tax bill of a $100,000 market value residential property located in the District is approximately $1,648.

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.)

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

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was to expire on June 15, 2020 unless extended; recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases or 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.

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.

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 authorized by the Board of Education and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30th:	2014	2015	2016	2017	2018
Bonds	$ 9,745,000	$ 18,455,000	$ 20,355,000	$ 17,685,000	$ 15,025,000
Bond Anticipation Notes	15,375,000	4,225,000	0	0	0
Total Debt Outstanding	$ 25,120,000	$ 22,680,000	$ 20,355,000	$ 17,685,000	$ 15,025,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 26, 2019.

Type of Indebtedness	Maturity		Amount
Bonds	2019-2026		$ 13,030,000
Bond Anticipation Notes			
Capital Project	August 2, 2019		3,500,000 (1)
		Total Indebtedness	$ 16,530,000

(1) To be renewed at maturity with the proceeds of the Notes.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 26, 2019:

Full Valuation of Taxable Real Property			$ 421,890,195
Debt Limit 10% thereof			42,189,020
Inclusions:			
Bonds	$ 13,030,000		
Bond Anticipation Notes	0		
Principal of this Issue	10,095,000		
Total Inclusions		$ 23,125,000	
Exclusions:			
State Building Aid [1]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 23,125,000
Net Debt-Contracting Margin			$ 19,064,020
The percent of debt contracting power exhausted is			54.81%

(1) Based on preliminary 2019-2020 building aid estimates, the District anticipates State Building aid of 94.3% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

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

Capital Project Plans

On May 15, 2018, District voters approved an $11,695,000 capital project. $1,600,000 of the project will be funded through capital reserve monies with the remaining funding coming from serial bonds. $3,500,000 bond anticipation notes were issued on October 4, 2018 as the first borrowing for the aforementioned project. The District issued $900,000 bond anticipation notes on June 21, 2019 to mature August 1, 2019. The Notes are being issued to renew the outstanding bond anticipation notes and provide $6,595,000 new money for the aforementioned project.

In June of 2018 the District entered into a lease agreement with Mercedes-Benz Financial Services USA LLC for the purchase of school buses. The lease goes through summer 2023 and has total payments in the amount of $4,216,083.85 should the District make all payments throughout the life of the lease without prepaying the lease.

The District has no other projects authorized and unissued by the District, nor are any contemplated at this time.

Cash Flow Borrowings

The District has no revenue anticipation notes or tax anticipation notes outstanding and has not issued them in recent years, nor does it reasonably expect to issue such notes in the foreseeable future.

Estimated Overlapping Indebtedness

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

Municipality	Status of Debt as of	Gross Indebtedness [1]	Exclusions [2]	Net Indebtedness	District Share	Applicable Indebtedness
County of:						
Chenango	12/31/2016	$ -	$ -	$ -	13.57%	$ -
Madison	12/31/2016	22,212,288	2,710,351	19,501,937	2.38%	464,146
Town of:						
Columbus	12/31/2016	10,000	-	10,000	28.28%	2,828
New Berlin	12/31/2016	1,198,457	1,113,457	85,000	0.24%	204
North Norwich	12/31/2016	-	-	-	58.17%	-
Otselic	12/31/2016	-	-	-	1.79%	-
Plymouth	12/31/2016	-	-	-	8.43%	-
Sherburne	12/31/2016	-	-	-	99.85%	-
Smyrna	12/31/2016	-	-	-	93.21%	-
Brookfield	12/31/2016	480,604	150,604	330,000	1.09%	3,597
Georgetown	12/31/2016	2,000	-	2,000	1.18%	24
Hamilton	12/31/2016	-	-	-	19.89%	-
Lebanon	12/31/2016	134,133	-	134,133	44.05%	59,086
Village of:						
Earlville	5/31/2017	2,862,000	2,336,000	526,000	100.00%	526,000
New Berlin	5/31/2017	-	-	-	100.00%	-
Sherburne	5/31/2017	3,822,728	3,593,728	229,000	100.00%	229,000
Smyrna	5/31/2017	25,556	10,700	14,856	100.00%	14,856
Hamilton	5/31/2017	12,557,262	10,099,262	2,458,000	100.00%	2,458,000
					Total:	$ 3,757,740

(1) Bonds and bond anticipation notes as of close of 2016 fiscal year. Not adjusted to include subsequent bond sales, if any.
(2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Note: The 2017 Comptroller’s Special Report is currently unavailable as of the date of this Official Statement.

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

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 26, 2019:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 23,125,000	$ 2,553.27	5.48%
Net Indebtedness Plus Net Overlapping Indebtedness [d]...........	26,882,740	2,968.17	6.37

(a) The current estimated population of the District is 9,057. (See “THE SCHOOL DISTRICT – Population” herein.)
(b) The District's full value of taxable real estate for the 2018-19 fiscal year is $421,890,195. (See “TAX INFORMATION – Taxable Assessed Valuations” herein.)
(c) See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.
(d) Estimated net overlapping indebtedness is $3,757,740. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

MARKET AND RISK FACTORS

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 in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the 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 market price of the Notes. See "Tax Levy Limitation Law" herein.

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

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

TAX MATTERS

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

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. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

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

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

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

LEGAL MATTERS

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

LITIGATION

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

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

CONTINUING DISCLOSURE

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

Historical Compliance

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

RATING

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

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

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

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

The District's contact information is as follows: Mr. Todd Griffin, Assistant Superintendent, 15 School Street, Sherburne, New York 13460 telephone (607) 674-7301, fax (607) 674-9742, email griffint@seonline.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

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT

Dated: June 26, 2019

THOMAS MORRIS
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
ASSETS					
Unrestricted Cash	$ 6,487,611	$ 6,648,639	$ 6,415,638	$ 6,990,566	$ 5,047,470
Restricted Cash	2,914,812	2,219,773	2,219,773	2,219,773	2,219,773
Due from Other Funds	852,183	887,485	1,330,761	51,344	61,601
Due from Other Governments	1,535,515	1,557,957	1,494,421	1,432,106	1,537,532
Prepaid Expenses	-	1,184	-	-	1,150
Other Assets	58,707	-	-	46,435	-
TOTAL ASSETS	$ 11,848,828	$ 11,315,038	$ 11,460,593	$ 10,740,224	$ 8,867,526
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 3,806	$ 7,475	$ 16,998	$ 55,812	$ 76,108
Accrued Liabilities	557,464	162,084	215,883	269,236	198,199
Due to Other Funds	18,023	215,836	1,277,997	-	-
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	1,728,696	1,901,277	1,472,658	1,329,894	1,126,148
Due to Employees' Retirement System	160,024	146,797	128,830	127,612	137,571
Deferred Revenue	928,121	941,577	854,742	800,248	897,845
TOTAL LIABILITIES	3,396,134	3,375,046	3,967,108	2,582,802	2,435,871
FUND EQUITY					
Nonspendable	$ -	$ 1,184	$ -	$ -	$ 1,150
Restricted	2,915,943	2,219,773	2,219,773	2,219,773	2,219,773
Assigned	1,481,368	2,024,472	1,670,413	1,476,776	1,253,503
Unassigned	4,055,383	3,694,563	3,603,299	4,460,873	2,957,229
TOTAL FUND EQUITY	8,452,694	7,939,992	7,493,485	8,157,422	6,431,655
TOTAL LIABILITIES and FUND EQUITY	$ 11,848,828	$ 11,315,038	$ 11,460,593	$ 10,740,224	$ 8,867,526

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2013	2014	2015	2016	2017
REVENUES					
Real Property Taxes	$ 5,323,710	$ 5,433,280	$ 5,534,785	$ 5,621,131	$ 5,631,549
Other Real Property Tax Items	1,470,175	1,486,215	1,495,362	1,516,400	1,510,319
Charges for Services	-	-	-	-	-
Use of Money & Property	19,952	13,357	6,510	5,803	5,927
Premium on Obligatons	-	72,108	32,195	70,913	-
Sale of Property and Compensation for Loss	16,182	84,264	3,874	50,053	10,919
Miscellaneous	340,238	381,968	261,994	425,524	757,917
Revenues from State Sources	20,562,176	21,603,041	22,246,530	22,685,454	23,634,208
Revenue from Federal Sources	341,549	167,340	134,122	125,517	99,536
Total Revenues	$ 28,073,982	$ 29,241,573	$ 29,715,372	$ 30,500,795	$ 31,650,375
Other Sources:					
Interfund Transfers	-	-	-	500,000	
Total Revenues and Other Sources	28,073,982	29,241,573	29,715,372	31,000,795	31,650,375
EXPENDITURES					
General Support	$ 3,609,175	$ 4,141,390	$ 3,860,197	$ 3,618,651	$ 3,740,879
Instruction	13,953,237	13,873,672	14,521,907	15,000,541	15,376,137
Pupil Transportation	1,254,635	1,121,504	1,624,163	1,554,885	1,628,168
Community Services	13,960	13,960	18,760	13,960	13,960
Employee Benefits	6,404,762	6,762,421	7,148,857	7,001,499	7,110,379
Debt Service	2,829,053	2,841,013	2,803,603	2,844,413	3,072,140
Total Expenditures	$ 28,064,822	$ 28,753,960	$ 29,977,487	$ 30,033,949	$ 30,941,663
Other Uses:					
Interfund Transfers	34,607	482,713	250,587	1,413,353	44,775
Total Expenditures and Other Uses	28,099,429	29,236,673	30,228,074	31,447,302	30,986,438
Excess (Deficit) Revenues Over Expenditures	(25,447)	4,900	(512,702)	(446,507)	663,937
FUND BALANCE					
Fund Balance - Beginning of Year	8,473,241	8,447,794	8,452,694	7,939,992	7,493,485
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 8,447,794	$ 8,452,694	$ 7,939,992	$ 7,493,485	$ 8,157,422

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2018 Adopted Budget	2018 Modified Budget	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
REVENUES					
Real Property Taxes & Items	$ 6,953,787	$ 5,662,525	$ 5,661,275	$ 6,953,787	$ 6,468,280
Other Real Property Tax Items	185,000	1,476,262	1,496,432	-	-
Charges for Services	5,000	5,000	-	-	-
Use of Money & Property	36,000	36,000	9,898	-	-
Premium on Obligations	-	-	-	-	-
Sale of Property and Compensation for Loss	500	500	20,299	-	-
Miscellaneous	183,800	183,800	245,951	300,000	771,391
Revenues from State Sources	24,561,570	24,561,570	24,014,735	25,285,378	25,908,887
Revenues from Federal Sources	75,000	75,000	197,378	-	-
Total Revenues	$ 32,000,657	$ 32,000,657	$ 31,645,968	$ 32,539,165	$ 33,148,558
Other Sources:					
Appropriated Reserves	$ 1,050,000	$ 2,876,776	$ -	$ -	$ -
Interfund Transfers	1,276,776	1,050,000	-	750,000	1,000,000
Total Revenues and Other Sources	34,327,433	35,927,433	31,645,968	33,289,165	34,148,558
EXPENDITURES					
General Support	$ 4,433,245	$ 4,784,195	$ 4,495,639	$ 5,232,007	$ 5,279,300
Instruction	17,418,397	17,122,448	15,401,330	16,817,398	17,200,308
Pupil Transportation	1,778,410	1,778,410	1,678,024	1,968,008	1,976,850
Recreation	-	-	-	-	-
Community Services	21,680	23,930	18,760	-	-
Employee Benefits	7,567,000	7,472,048	7,041,659	8,122,755	8,070,000
Debt Service	3,083,701	3,083,702	3,083,690	2,398,997	2,422,100
Total Expenditures	$ 34,302,433	$ 34,264,733	$ 31,719,102	$ 34,539,165	$ 34,948,558
Other Uses:					
Interfund Transfers	25,000	1,662,700	1,652,633	-	-
Total Expenditures and Other Uses	34,327,433	35,927,433	33,371,735	34,539,165	34,948,558
Excess (Deficit) Revenues Over Expenditures	-	-	(1,725,767)	(1,250,000)	(800,000)
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	8,157,422	1,250,000	800,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 6,431,655	$ -	$ -

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 1,995,000	$ 371,996.25	$ 2,366,996.25
2020	2,035,000	329,591.25	2,364,591.25
2021	2,095,000	282,073.75	2,377,073.75
2022	2,150,000	230,610.00	2,380,610.00
2023	1,745,000	177,340.00	1,922,340.00
2024	1,780,000	133,782.50	1,913,782.50
2025	1,675,000	89,000.00	1,764,000.00
2026	1,550,000	43,400.00	1,593,400.00
TOTALS	$ 15,025,000	$ 1,657,793.75	$ 16,682,793.75

APPENDIX - B1
Sherburne-Earlville CSD

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2010 Buildings - QZAB Principal	2010 Buildings - QZAB Interest	2010 Buildings - QZAB Total	2014 Buildings Principal	2014 Buildings Interest	2014 Buildings Total
2019	$ 160,000	$ 7,840.00	$ 167,840.00	$ 170,000	$ 39,706.25	$ 209,706.25
2020	160,000	6,560.00	166,560.00	175,000	35,881.25	210,881.25
2021	165,000	5,280.00	170,280.00	185,000	31,943.75	216,943.75
2022	165,000	3,960.00	168,960.00	190,000	27,550.00	217,550.00
2023	165,000	2,640.00	167,640.00	190,000	22,800.00	212,800.00
2024	165,000	1,320.00	166,320.00	195,000	17,812.50	212,812.50
2025	-	-	-	205,000	12,450.00	217,450.00
2026	-	-	-	210,000	6,300.00	216,300.00
TOTALS	$ 980,000	$ 27,600.00	$1,007,600.00	$ 1,520,000	$ 194,443.75	$1,714,443.75

Fiscal Year Ending June 30th	2015 Buildings Principal	2015 Buildings Interest	2015 Buildings Total	2016 Capital Improvements Principal	2016 Capital Improvements Interest	2016 Capital Improvements Total
2019	$ 870,000	$ 194,550.00	$1,064,550.00	$ 395,000	$ 66,100.00	$ 461,100.00
2020	885,000	177,150.00	1,062,150.00	400,000	58,200.00	458,200.00
2021	900,000	159,450.00	1,059,450.00	415,000	50,200.00	465,200.00
2022	920,000	139,200.00	1,059,200.00	425,000	41,900.00	466,900.00
2023	945,000	118,500.00	1,063,500.00	445,000	33,400.00	478,400.00
2024	970,000	90,150.00	1,060,150.00	450,000	24,500.00	474,500.00
2025	1,005,000	61,050.00	1,066,050.00	465,000	15,500.00	480,500.00
2026	1,030,000	30,900.00	1,060,900.00	310,000	6,200.00	316,200.00
TOTALS	$ 7,525,000	$ 970,950.00	$8,495,950.00	$ 3,305,000	$ 296,000.00	$3,601,000.00

Fiscal Year Ending June 30th	2016 Refunding of 2007 Bonds Principal	2016 Refunding of 2007 Bonds Interest	2016 Refunding of 2007 Bonds Total
2019	$ 400,000	$ 63,800.00	$ 463,800.00
2020	415,000	51,800.00	466,800.00
2021	430,000	35,200.00	465,200.00
2022	450,000	18,000.00	468,000.00
TOTALS	$ 1,695,000	$ 168,800.00	$ 1,863,800.00

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

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

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

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

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

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

(h) note calls, if material and tender offers

(i) defeasances

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

(k) rating changes

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

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

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

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

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

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

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

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.

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

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

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

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

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

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SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
CHENANGO AND MADISON COUNTIES, NEW YORK

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2018

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

SHERBURNE-EARLVILLE 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
Sherburne-Earlville Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sherburne-Earlville 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 Sherburne-Earlville 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, budgetary comparison information, 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 Sherburne-Earlville Central School District's basic financial statements. The other supplementary information on pages 50 through 52 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 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 financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information 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 12, 2018 on our consideration of the Sherburne-Earlville Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sherburne-Earlville Central School District's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

October 12, 2018

Rome, New York

The Sherburne-Earlville 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.

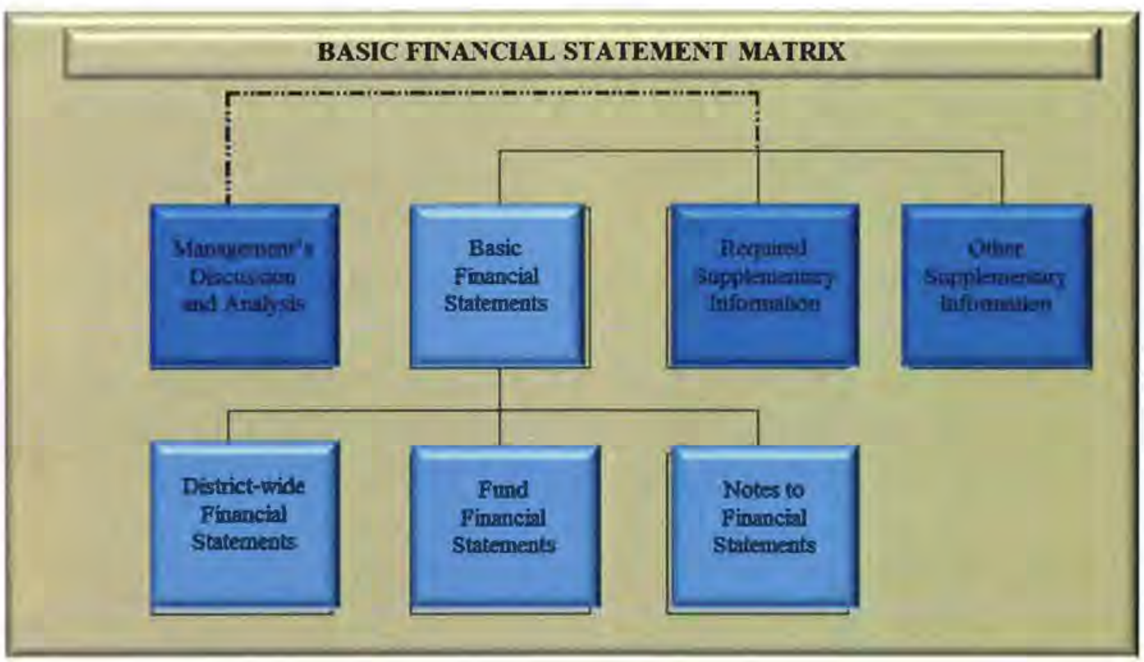
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018, are as follows:

- The District's total net position, as reflected in the District-wide financial statements, decreased by $1,465,148.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled $35,155,657. Of this amount, $197,495 was offset by program charges for services and $1,737,716 by operating grants to support instructional and food service programs.
- General revenues of $31,755,298 amounted to 94.3% of total revenues. These revenues covered a portion of program expenses, leaving a deficit of $1,465,148.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 15 and 17, decreased by $1,725,767 to $6,431,655. This decrease was mainly due to a $1,600,000 appropriation of fund balance to transfer to the Capital Fund of the capital project approved in 2018.
- State and federal revenue increased $630,460, 2.7%, to $24,309,710 in 2018 from $23,679,250 in 2017. This was mainly due to increases in the State's basic and excess cost aids to the District.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-wide Financial Statements

The District-wide financial statements present the governmental activities of the District and 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 of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

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

B. Fund Financial Statements

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased $1,465,148 between fiscal year 2018 and 2017. A summary of the District's Statement of Net Position for June 30, 2018 and 2017, is as follows:

	2018	Restated 2017	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 11,602,784	$ 12,236,130	$ (633,346)	(5.2%)
Net Pension Asset - Proportionate Share	513,750		513,750	100.0%
Capital Assets, (Net of Accumulated Depreciation)	41,620,832	42,633,541	(1,012,709)	(2.4%)
Total Assets	53,737,366	54,869,671	(1,132,305)	(2.1%)
Deferred Outflows of Resources	8,029,419	7,948,029	81,390	1.0%
Non-Current Liabilities	60,359,494	60,610,979	(251,485)	(0.4%)
Net Pension Liability - Proportionate Share	413,495	1,885,992	(1,472,497)	(78.1%)
Other Liabilities	1,592,188	1,815,793	(223,605)	(12.3%)
Total Liabilities	62,365,177	64,312,764	(1,947,587)	(3.0%)
Deferred Inflows of Resources	2,847,955	486,135	2,361,820	485.8%
Net Position				
Net Investment in Capital Assets	27,720,246	24,785,362	2,934,884	11.8%
Restricted	4,861,328	3,609,093	1,252,235	34.7%
Unrestricted (Deficit)	(36,027,921)	(30,375,654)	(5,652,267)	(18.6%)
Total Net Position	$ (3,446,347)	$ (1,981,199)	$ (1,465,148)	(74.0%)

Current and other assets decreased by $633,346, as compared to the prior year. The decrease is primarily the result of decreases in cash and cash equivalents.

The District's proportionate share of the net pension asset increased by $513,750, due to the Teachers' Retirement Systems that was a liability in the prior year. Note 9 to the Financial Statements provides additional information.

Capital assets (net of accumulated depreciation) decreased by $1,012,709, as compared to the prior year. This decrease is primarily due to depreciation exceeding amounts expended for additions.

Deferred outflows of resources increased by $81,390. The increase is primarily due to additional amounts recorded in the current year for deferred outflows relating to the Retirement Systems.

Non-current liabilities decreased by $251,485 as compared to the prior year. This decrease is the result of the principal payments made on the serial bonds of $2,660,000, offset by the additional accrual of $2,428,401 reported for the other postemployment benefit liability.

The District's proportionate share of the net pension liability for the Retirement Systems decreased by $1,472,497 or 78.1%. In the prior year, the Teachers' Retirement System had a net pension liability of $733,848. The Teachers' Retirement System now has a net pension asset as described above. The current year pension liability is only for the Employees' Retirement System. Note 9 to the Financial Statements provides additional information.

Other liabilities decreased by $223,605 as compared to the prior year. This decrease is primarily due to a decrease in the current amount due to the Teachers' Retirement System of $203,746.

Deferred inflows increased by $2,361,820 primarily due to the increase in the deferred inflows related to pension of $2,283,124, as reported by the Retirement Systems. In addition, in 2018 the District recorded a deferred inflow of $78,696 relating to other postemployment benefits.

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

The restricted net position at June 30, 2018 of $4,861,328 consisted of the reserves in the General Fund and amounts restricted in the debt service and capital funds.

The unrestricted net position at June 30, 2018, is a deficit of $36,027,921, which represents the amount by which the District's liabilities and deferred inflows exceeded assets and deferred outflows, excluding the net amount invested in capital assets and restricted net position. This deficit is due to the accrual of other postemployment benefits liability at June 30, 2018 for $43,487,969.

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:

Revenues	2018	2017	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for Services	$ 197,495	$ 204,979	$ (7,484)	(3.7%)
Operating Grants	1,737,716	1,681,086	56,630	3.4%
General Revenues				
Property Taxes and STAR	7,157,707	7,141,868	15,839	0.2%
State and Federal Sources	24,309,710	23,679,250	630,460	2.7%
Other	287,881	778,890	(491,009)	(63.0%)
Total Revenues	33,690,509	33,486,073	204,436	0.6%
Expenses				
General Support	5,574,491	5,009,363	565,128	11.3%
Instruction	25,599,556	25,907,179	(307,623)	(1.2%)
Pupil Transportation	2,646,192	2,543,899	102,293	4.0%
Community Service	18,760	13,960	4,800	34.4%
Debt Service-Unallocated Interest	433,621	417,482	16,139	3.9%
Food Service Program	883,037	847,343	35,694	4.2%
Total Expenses	35,155,657	34,739,226	416,431	1.2%
Total Change in Net Position	$ (1,465,148)	$ (1,253,153)	$ (211,995)	

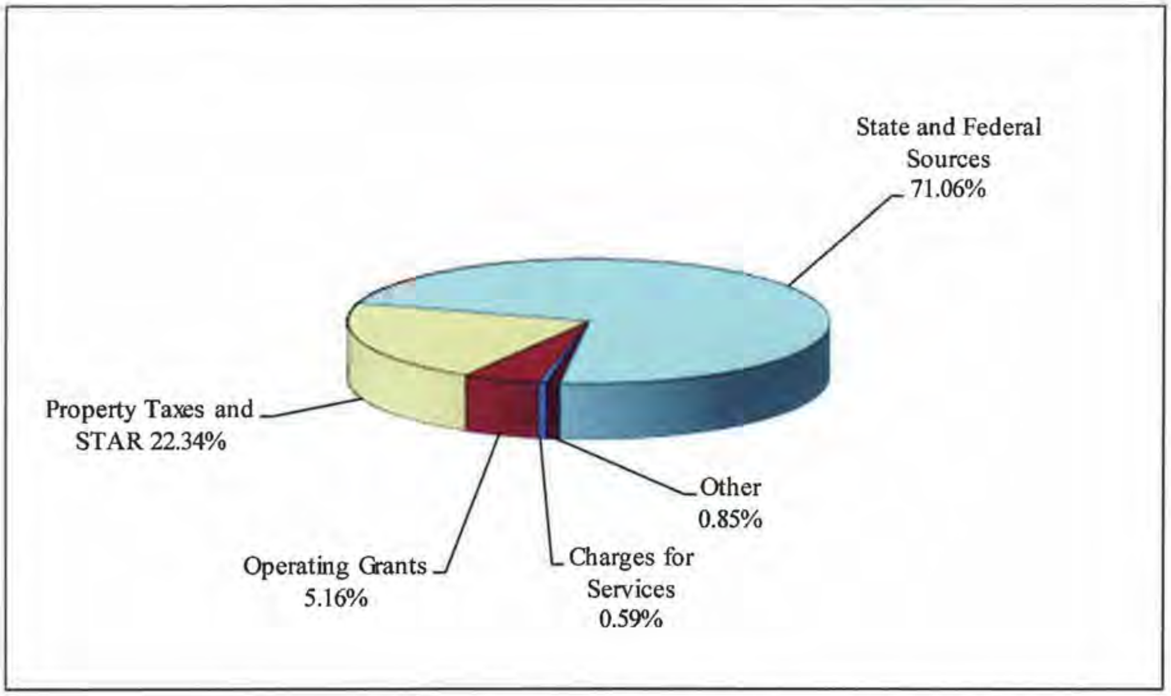
The District's revenues increased by $204,436 in 2018 or 0.6%. The major factors that contributed to the increase were:

- State and federal aid increased by $630,460 due to an increase in State foundation aid.
- Property tax and STAR increased by $15,839.
- Other revenue decreased by $491,009 primarily due to a refund received in the prior year from the BOCES health insurance consortium in the amount of $282,306.

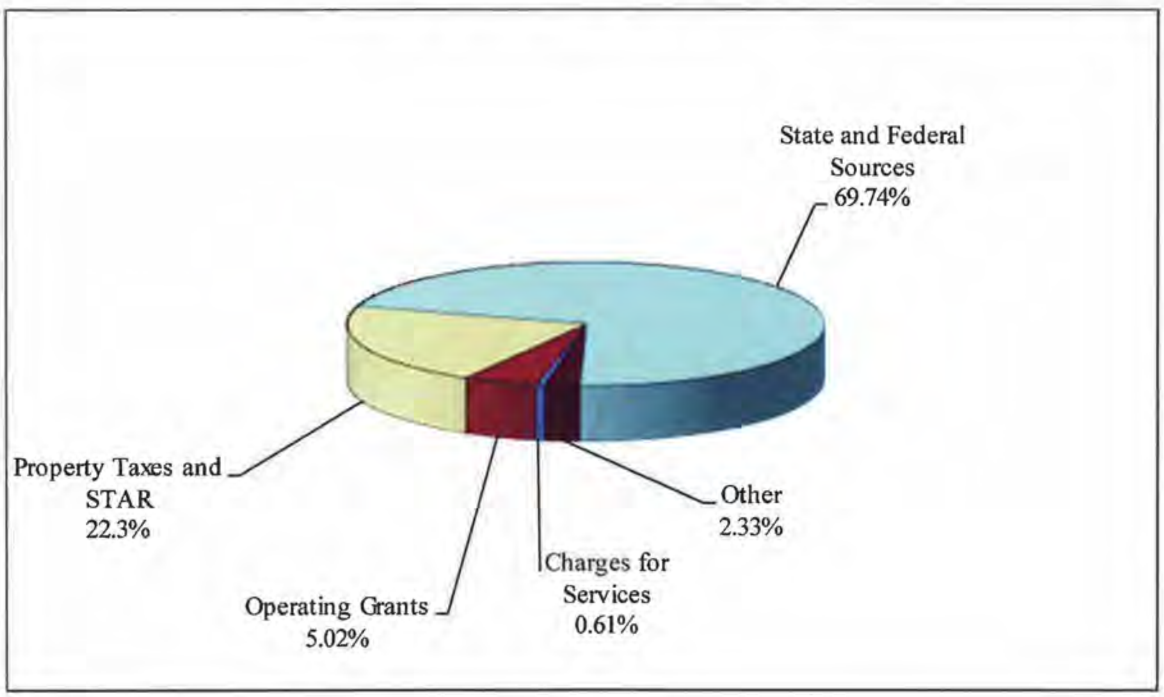
The District's expenditures for the year increased by $416,431 or 1.2%. This increase was mainly due to additional computer support services from the BOCES for $666,667.

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

For the Year Ended June 30, 2018

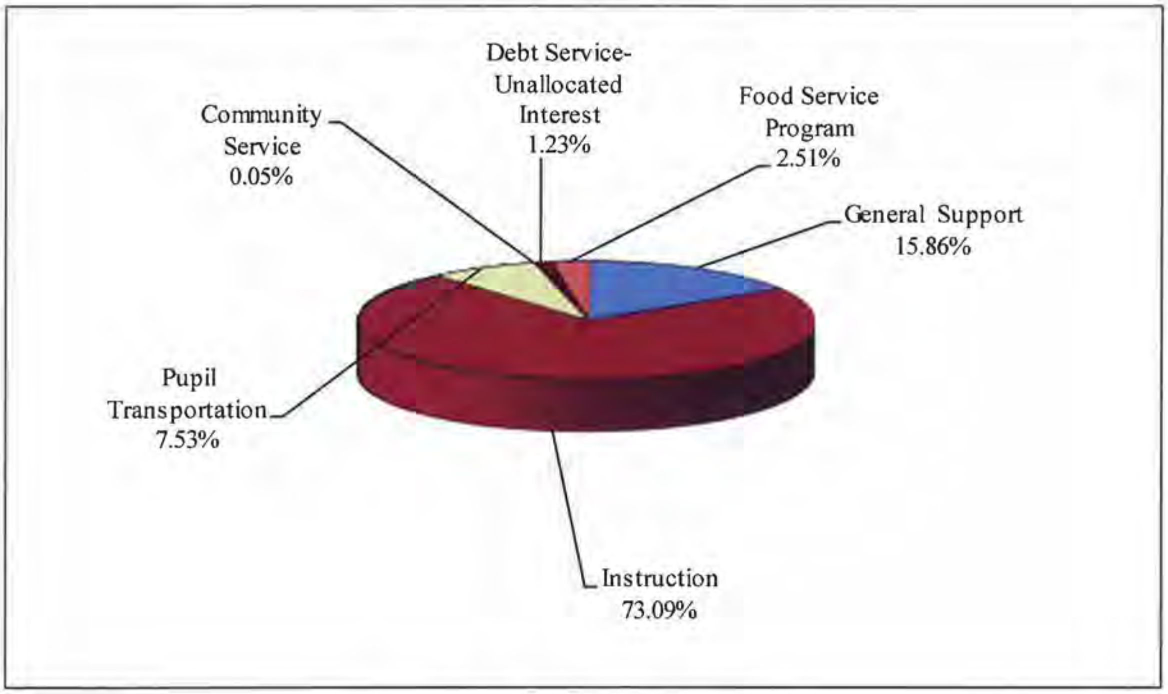


For the Year Ended June 30, 2017

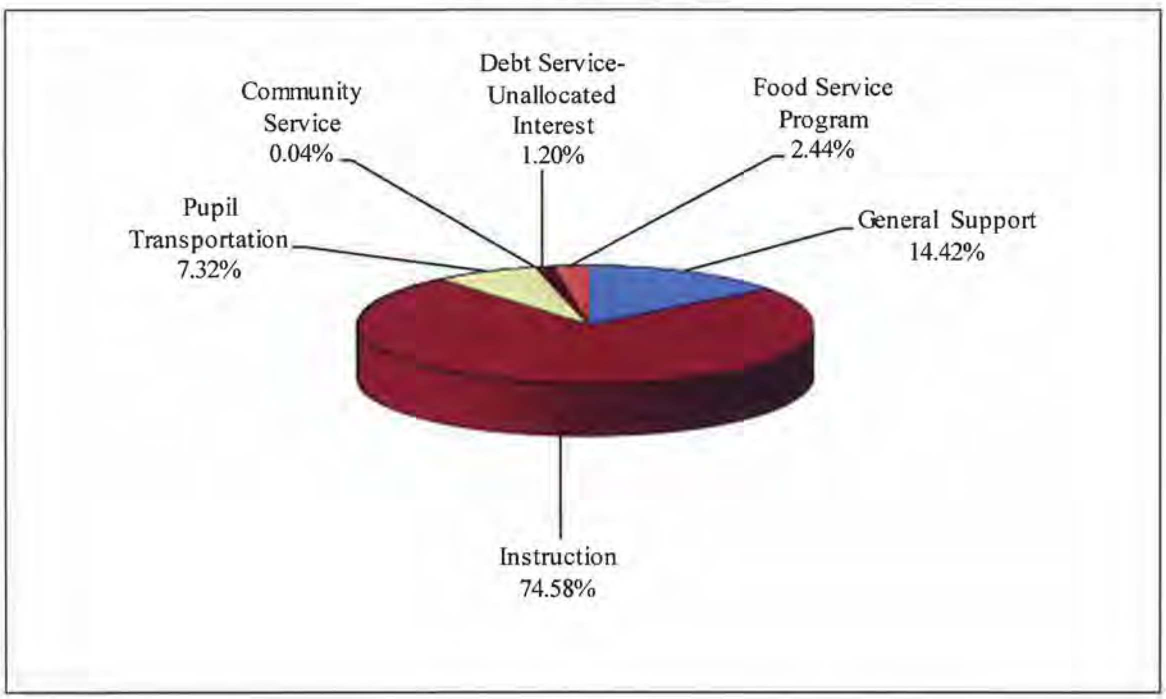


A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2018



For the Year Ended June 30, 2017



4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of $9,157,898, which is a decrease of $483,717 from the prior year. The decrease is primarily the result of the decrease in the General Fund unassigned fund balance, due to an excess of expenditures over revenues in the current year.

	2018	2017	Increase (Decrease)
General Fund			
Nonspendable	$ 1,150	$	$ 1,150
Restricted			
Unemployment Insurance	99,809	99,809	
Retirement Contribution	730,000	730,000	
Employee Benefit Accrued Liability	1,054,944	1,054,944	
Insurance	6,308	6,308	
Tax Certiorari	24,140	24,140	
Capital Reserve	204,572	204,572	
Repair Reserve	100,000	100,000	
Total Restricted	2,219,773	2,219,773	
Assigned			
Appropriated for Subsequent Year's Budget	1,250,000	1,250,000	
General Support	418	1,005	(587)
Instruction	1,791	25,771	(23,980)
Pupil Transportation	1,294		1,294
Total Assigned	1,253,503	1,276,776	(23,273)
Unassigned	2,957,229	4,660,873	(1,703,644)
Total General Fund	6,431,655	8,157,422	(1,725,767)
School Lunch Fund			
Nonspendable	34,328	40,795	(6,467)
Unassigned (Deficit)	(7,866)	(5,748)	(2,118)
Total School Lunch Fund (Deficit)	26,462	35,047	(8,585)
Special Aid			
Assigned	58,226	59,826	(1,600)
Debt Service Fund			
Restricted	1,390,597	1,389,320	1,277
Capital Fund			
Restricted	1,250,958		1,250,958
Total	$ 9,157,898	$ 9,641,615	$ (483,717)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's General Fund adopted budget for the year ended June 30, 2018, was $34,300,657. This is an increase of $834,300 over the prior year's adopted budget.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was $7,138,787 in estimated property taxes and STAR, and $24,561,570 in estimated State Aid.

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

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

Opening, Unassigned Fund Balance	$	4,660,873
Revenues and Other Sources under Budget		(1,404,689)
Carryover Encumbrances from June 30, 2017		26,776
Expenditures and Encumbrances under Budget		2,552,195
Unused Appropriated Fund Balance		(2,876,776)
Increase to Nonspendable Fund Balance		(1,150)
Closing, Unassigned Fund Balance	$	2,957,229

Opening, Unassigned Fund Balance

The $4,660,873 shown in the table is the portion of the District's June 30, 2017, fund balance that was retained as unassigned. This was 13.6% of the District's 2017-2018 approved operating budget.

Revenues and Other Financing Sources Under Budget

The 2017-2018 budget for revenues and other sources was $33,050,657. The actual revenues received for the year were $31,645,968. The actual revenues and other sources under the estimated or budgeted revenue and other financing sources was $1,404,689. This variance contributes directly to the change to the unassigned portion of the General Fund's fund balance from June 30, 2017 to June 30, 2018.

Expenditures, Other Financing Uses and Encumbrances Under Budget

The 2017-2018 budget for expenditures was $35,927,433. The actual expenditures and encumbrances were $33,375,238. The final budget was under expended by $2,552,195. This under expenditure contributes to the change to the unassigned portion of the General Fund's fund balance from June 30, 2017 to June 30, 2018.

Assigned Appropriated Fund Balance

The 2017-2018 final budget included $2,876,776 of appropriated fund balance, which was not used during the year. In addition, the district chose to use $1,250,000 of its available fund balance at June 30, 2018 to partially fund its 2018-2019 approved operating budget, which is a decrease of $200,000 from the amount appropriated in the prior year.

Nonspendable Fund Balance

The nonspendable fund balance consists of prepaid expenditures that are not available for general appropriation. This amount increased by $1,150 from the prior year, thereby increasing the unassigned fund balance.

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 $2,957,229. This is a decrease of $1,703,644 from the unassigned balance from the prior year. The current year unassigned fund balance was 8.6% of the District's 2018-2019 approved operating 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, construction in process, buildings and improvements, and vehicles, furniture, and equipment. The net decrease in capital assets is due to depreciation exceeding capital additions for the period. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017, is as follows:

	2018	2017	Increase (Decrease)
Land	$ 474,324	$ 474,324	$
Construction in Progress	349,042		349,042
Buildings and Improvements	39,896,366	41,379,209	(1,482,843)
Vehicles, Furniture, and Equipment	901,100	780,008	121,092
Capital Assets, Net	$ 41,620,832	$ 42,633,541	$ (1,012,709)

B. Debt Administration

At June 30, 2018, the District had total bonds payable of $15,025,000. The bonds equaled 36.54% of the District's debt limit allowed by the New York State Constitution. A summary of the outstanding bond debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate (%)	2018	2017	Increase (Decrease)
1/24/12 (2003 Refunding)	2.00	$	$ 700,000	$ (700,000)
8/3/16 (2007 Refunding)	2.00 - 4.00	1,695,000	2,095,000	(400,000)
04/29/10	0.80	980,000	1,140,000	(160,000)
6/26/14	2.25 - 3.00	1,520,000	1,690,000	(170,000)
06/25/15	2.00 - 3.00	7,525,000	8,375,000	(850,000)
06/22/16	2.00	3,305,000	3,690,000	(385,000)
		$ 15,025,000	$ 17,690,000	$ (2,665,000)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School District's Board adopted a budget that was approved by the voters for the 2018-2019 School year in the amount of $34,539,165.

The District receives the majority of its operational funding from state and federal sources. There is uncertainty surrounding state and federal funding sources as a result of the 2018 election cycle. A reduction in federal grant funding would have a significant impact on the District's daily operations since these funds are primarily used for instructional salaries. Potential federal funding cuts to New York State cause concern that any State revenue shortfall would be passed directly to the District through a reduction in the amount of state aid that was projected for the budget. The goal of the Board of Education is to continue to support and maintain the programming that directly impacts student instruction and to keep the tax levy increase under the annual limit. The costs related to providing special education services to our students have steadily increased year-to-year above the consumer price index (CPI). The District has made significant efforts to control spending and to be efficient; however, state and federal aid levels have failed to keep pace with the increasing costs of operation. The District continues to face increases in retirement system contribution rates each year, as well as projected increases in health insurance premiums that are above the CPI rate. The District maintains reserve funds and intends to bridge the gap between the levels of State and federal aid that is received and the total amount of funds required to maintain programs and staff for students through the managed use of these reserves.

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:

Sherburne-Earlville Central School District
15 School Street
Sherburne, NY 13460

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

Assets		
Cash and Cash Equivalents	$	5,050,195
Restricted Cash and Cash Equivalents		4,861,328
Receivables		
Due From Other Governments		1,651,352
Other Receivables		4,431
Inventory		34,328
Prepaid Expenses		1,150
Net Pension Asset - Proportionate Share		513,750
Capital Assets (Net of Accumulated Depreciation)		41,620,832
Total Assets		53,737,366
Deferred Outflows of Resources		
Deferred Charge on Refunding of Debt (Net of Amortization)		26,075
Deferred Outflow - Pension		8,003,344
Total Deferred Outflows of Resources		8,029,419
Total Assets and Deferred Outflows of Resources	$	61,766,785
Liabilities		
Accounts Payable	$	80,068
Accrued Liabilities		201,846
Bond Interest Payable		45,147
Due To		
Other Governments		1,408
Teachers' Retirement System		1,126,148
Employees' Retirement System		137,571
Net Pension Liability - Proportionate Share		413,495
Noncurrent Liabilities		
Due Within One Year		2,026,636
Due in More Than One Year		58,332,858
Total Liabilities		62,365,177
Deferred Inflows of Resources		
Deferred Inflow - Pensions		2,769,259
Deferred Inflow - OPEB		78,696
Total Deferred Inflows of Resources		2,847,955
Total Liabilities and Deferred Inflows of Resources		65,213,132
Net Position		
Net Investment in Capital Assets		27,720,246
Restricted		4,861,328
Unrestricted (Deficit)		(36,027,921)
Total Net Position (Deficit)		(3,446,347)
Total Liabilities, Deferred Inflows and Net Position	$	61,766,785

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

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
General Support	$ 5,574,491	$	$	$ (5,574,491)
Instruction	25,599,556		1,181,601	(24,417,955)
Pupil Transportation	2,646,192			(2,646,192)
Community Service	18,760			(18,760)
Debt Service - Unallocated Interest	433,621			(433,621)
Food Service	883,037	197,495	556,115	(129,427)
Total Functions/Programs	$ 35,155,657	$ 197,495	$ 1,737,716	(33,220,446)
General Revenues				
Real Property Taxes				5,661,275
STAR and Other Real Property Tax Items				1,496,432
Use of Money and Property				11,175
Sales of Property and Compensation for Loss				20,299
State and Federal Sources				24,309,710
Miscellaneous				256,407
Total General Revenues				31,755,298
Change in Net Position				(1,465,148)
Net Position, Beginning of Year				16,853,003
Prior Period Adjustments - Cumulative Effect of Change in Accounting				(18,834,202)
Net Position (Deficit), Beginning of Year, Restated				(1,981,199)
Net Position (Deficit), End of Year				$ (3,446,347)

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Assets						
Cash and Cash Equivalents	$ 5,047,470	$ 476	$ 2,249	$	$	$ 5,050,195
Restricted Cash and Cash Equivalents	2,219,773			1,390,487	1,251,068	4,861,328
Receivables						
Due From Other Governments	1,537,532		113,820			1,651,352
Due from Other Funds	61,601			110		61,711
Other Receivables			4,431			4,431
Inventory		34,328				34,328
Prepaid Expenses	1,150					1,150
Total Assets	$ 8,867,526	$ 34,804	$ 120,500	$ 1,390,597	$ 1,251,068	$ 11,664,495
Liabilities						
Payables						
Accounts Payable	$ 76,108	$ 3,822	$ 138	$	$	$ 80,068
Accrued Liabilities	198,199	3,256	391			201,846
Due To						
Other Governments		1,264	144			1,408
Other Funds			61,601		110	61,711
Teachers' Retirement System	1,126,148					1,126,148
Employees' Retirement System	137,571					137,571
Total Liabilities	1,538,026	8,342	62,274		110	1,608,752
Deferred Inflows of Resources						
Unearned Revenue - State Aid	897,845					897,845
Fund Balances						
Nonspendable	1,150	34,328				35,478
Restricted	2,219,773			1,390,597	1,250,958	4,861,328
Assigned	1,253,503		58,226			1,311,729
Unassigned (Deficit)	2,957,229	(7,866)				2,949,363
Total Fund Balances	6,431,655	26,462	58,226	1,390,597	1,250,958	9,157,898
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,867,526	$ 34,804	$ 120,500	$ 1,390,597	$ 1,251,068	$ 11,664,495

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Governmental Fund Balances		$ 9,157,898
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.		
	Unavailable Revenue	897,845
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 District as a whole, and their original costs are expensed annually over their useful lives.		
	Original Cost of Capital Assets	76,712,116
	Accumulated Depreciation	(35,091,284)
		41,620,832
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	513,750
	Net Pension Liability - Proportionate Share	(413,495)
		100,255
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. Deferred outflows of resources at year-end consisted of:		
	Deferred Outflows of Resources, Pensions	8,003,344
	Deferred Charge on Refunding of Debt (Net of Amortization)	26,075
		8,029,419
Long-term liabilities 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:		
	Accrued Interest on Bonds Payable	(45,147)
	Other Post Employment Liabilities	(43,487,969)
	Bonds Payable	(15,025,000)
	Unamortized Bond Premium	(126,544)
	Compensated Absences Payable	(1,719,981)
		(60,404,641)
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 until that time. Deferred inflows of resources at year end consisted of the following:		
	Deferred Inflows of Resources, Pensions	(2,769,259)
	Deferred Inflows of Resources, OPEB	(78,696)
		(2,847,955)
Total Net Position (Deficit)		$ (3,446,347)

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

SHERBURNE-EARLVILLE 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
Revenues						
Real Property Taxes	$ 5,661,275	$	$	$	$	$ 5,661,275
STAR and Other Real Property Tax Items	1,496,432					1,496,432
Use of Money and Property	9,898			1,277		11,175
Sale of Property and Compensation for Loss	20,299					20,299
Miscellaneous	245,951	10,456				256,407
State Aid	24,014,735	68,098	393,979			24,476,812
Federal Aid	197,378	488,017	787,622			1,473,017
School Lunch Sales		197,495				197,495
Total Revenues	31,645,968	764,066	1,181,601	1,277		33,592,912
Expenditures						
General Support	4,495,639					4,495,639
Instruction	15,401,330		1,080,314		349,042	16,830,686
Pupil Transportation	1,678,024		53,375			1,731,399
Community Service	18,760					18,760
Food Service Program		650,796				650,796
Employee Benefits	7,041,659	161,855	62,145			7,265,659
Debt Service - Principal	2,660,000					2,660,000
Debt Service - Interest	423,690					423,690
Total Expenditures	31,719,102	812,651	1,195,834		349,042	34,076,629
Excess (Deficit) Revenues Over Expenditures	(73,134)	(48,585)	(14,233)	1,277	(349,042)	(483,717)
Other Financing Sources (Uses)						
Transfers from Other Funds		40,000	12,633		1,600,000	1,652,633
Transfers to Other Funds	(1,652,633)					(1,652,633)
Total Other Financing Sources (Uses)	(1,652,633)	40,000	12,633		1,600,000	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	(1,725,767)	(8,585)	(1,600)	1,277	1,250,958	(483,717)
Fund Balances, Beginning of Year	8,157,422	35,047	59,826	1,389,320		9,641,615
Fund Balances, End of Year	$ 6,431,655	$ 26,462	$ 58,226	$ 1,390,597	$ 1,250,958	$ 9,157,898

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

SHERBURNE-EARLVILLE 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

Net Changes in Fund Balance - Total Governmental Funds		$ (483,717)
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 depreciation and loss on disposal exceeded capital outlays in the period.		
Depreciation Expense	(1,536,405)	
Loss on Disposal	(989)	
Capital Outlays	524,685	(1,012,709)
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.		
Amortization of Deferred Charge on Refunding of Debt	(22,945)	
Amortization of Bond Premium	31,635	
Repayment Bond Principal	2,660,000	2,668,690
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in Accrued Interest on Serial Bonds	(18,621)	
Change in OPEB Liability (including Deferred Inflows)	(2,418,686)	
Change in Compensated Absences	(105,160)	
Change in Pension Expense	(192,542)	(2,735,009)
Change in Net Position Governmental Activities		$ (1,465,148)

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Private Purpose Trusts	Agency
Assets		
Cash and Cash Equivalents - Unrestricted	$	$ 391,211
Cash and Cash Equivalents - Restricted	486,566	
Loans Receivable	2,868	
Due from Other Funds		481
Total Assets	$ 489,434	$ 391,692
Liabilities		
Due to Other Funds	$ 481	$
Agency Liabilities		291,793
Extraclassroom Activity Balances		99,899
	481	$ 391,692
Net Position		
Restricted for Scholarships	488,953	
Total Net Position	488,953	
Total Liabilities and Net Position	$ 489,434	

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

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018

	Private Purpose Trusts
Additions	
Investment Income	$ 380
Donations	22,569
Total Additions	22,949
Deductions	
Scholarships and Awards	20,463
Change in Net Position	2,486
Net Position, Beginning of Year	486,467
Net Position, End of Year	$ 488,953

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

Extraclassroom Activity Funds

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

Joint Ventures

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

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

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

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

Sherburne-Earlville Central School District participates in a joint venture with the Town of Sherburne and the Village of Sherburne. The joint venture is a park commission in which all the participants mutually own and operate the Sherburne Community Park. The Commission was formed under General Municipal Law for the sole purpose of maintaining and operating the park facilities. The land had been donated to the Commission in prior years.

The Board of Directors of the Commission consists of a member of the Board of Education of Sherburne-Earlville Central School District, the mayor of the Village of Sherburne, and the supervisor of the Town of Sherburne. The participants issue debt on behalf of the Commission as needed. All participants are then jointly liable for issued debt. As of June 30, 2018, no debt was outstanding nor was any issued during the 2018 fiscal year. During the fiscal year ended June 30, 2018, the School District contributed $13,960 in addition to providing transportation for students participating in the swim program at the park. Financial statements for the Commission can be found, in part, at the Village of Sherburne's administrative office for the activity of the village and the School District, and the remaining part can be found at the Town of Sherburne's administrative office for the activity of the town.

Broome-Tioga-Delaware County Schools Health Insurance Consortium - Sherburne-Earlville Central School District incurs costs related to an employees' health insurance plan sponsored by the Broome-Tioga-Delaware County Schools Health Insurance Consortium and its member districts. The plan is organized under Article 5-G of the General Municipal Law of New York State. The plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program. School Districts joining the plan must remain members at least until the beginning of the subsequent plan year which is July 1. A member may withdraw upon giving notice to the clerk of the fund by March 1. If the district fails to give such notice, then the district will be considered bound by the agreement for the next fiscal year. If proper notice is given, then the trustees shall determine any sums which are due by the district, or any monies which may be due to the district. Plan members include 17 districts. Premiums are adjusted by the use of a three-year experience factor. During the fiscal year ended June 30, 2018, Sherburne-Earlville Central School District incurred premiums totaling approximately $4,226,630. Financial statements for Broome-Tioga-Delaware County Schools Health Insurance Consortium are available at the administrative office located at 1 Marine Plaza, Binghamton, New York 13901.

Basis of Presentation

(a) District-Wide Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, 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 on fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for and report on trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee 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 all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

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 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.

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 OPEB liabilities, 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 no later than September 1. Taxes are collected during the period September 1 to October 31. Uncollected real property taxes are subsequently enforced by the counties of Chenango and Madison. An amount, representing uncollected real property taxes transmitted to the counties for enforcement, is paid by the counties to the School District no later than the forthcoming April 1.

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.

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 qualifies for reporting in this category. One 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 proportionate 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. The second 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.

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 11 to the financial statements.

Inventory

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

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets

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

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

	Method	Lives
Buildings and Improvements	Straight-Line	30-40 Years
Furniture and Equipment	Straight-Line	6-15 Years
Vehicles	Straight-Line	8 Years

Vested Employee Benefits - Compensated Absences

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

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

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.

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 post-employment 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 post-employment 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).

Short-Term Debt

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

Unearned Revenue

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

Unavailable revenues recorded in governmental funds are not generally recorded in the District-wide statements.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one item that qualifies for reporting in this category which 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 and difference during the measurement periods between the School District's contributions and its proportionate 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 Net 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:

Non-spendable

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

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the 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:

- ***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 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. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

- ***Retirement Contribution Reserve***

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

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

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

- ***Insurance***

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

- ***Reserve for Tax Certiorari***

  This reserve is used to account for funds set aside to refund taxes of the current year in tax certiorari proceedings. Voter approval is not required to establish the fund or expend from the reserve. Amounts in this reserve not necessary to refund taxes must be returned to the unreserved fund balance of the General Fund by the first day of the fourth fiscal year following the year for which the reserve was created. The reserve is accounted for in the General Fund.

- ***Capital Reserve***

  The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The reserve is accounted for in the General Fund.

- ***Repair Reserve***

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

- ***Debt Service Fund***

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

- ***Capital Fund***

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

- ***Restricted for Scholarships***

  This reserve is used to account for various scholarship awards. This reserve is accounted for in the fiduciary fund.

- ***Unrestricted Resources***

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

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

(c) Fiduciary Funds

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

Private Purpose Trust Funds: These funds are used to account for and report trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

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

(d) Order of Use of Fund Balance

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

Changes in Accounting Standards

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

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 District will evaluate the impact of these pronouncements may have on its financial statements.

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

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

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

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Statement of Activities

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

(a) Long-Term Revenue Differences

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

(b) Capital Related Differences

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

(c) Long-Term Debt Transaction Differences

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

(d) Employee Benefit Allocation

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

(e) Pension Differences

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

(f) OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the 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 over 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 8.6% of the 2018-2019 budget.

Budgetary Procedures and Budgetary Accounting

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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. During 2018, the board appropriated an additional $1,600,000 of unassigned fund balance to help fund the 2018 capital project.

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.

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

Encumbrances

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

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 tax levy for the 2017-2018 school year was in compliance with the NYS Tax Cap Limit.

4. CASH AND CASH EQUIVALENTS

Custodial Credit 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 District's investment policies, as discussed previously in these notes. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

As of June 30, 2018, the School District's bank balance of $11,065,479 was collateralized or insured by the Federal Insurance Deposit Corporation. Of this amount, $10,521,860 of the deposits were exposed to custodial risk because this amount was collateralized with securities held by the pledging financial institution or in its trust department or an agent, but not in the School District's name. The remaining deposits were covered by the FDIC.

Restricted Cash and Cash Equivalents

As of June 30, 2018, the School District's restricted cash and cash equivalents consisted of the following:

	General	Debt Service	Capital
Restricted			
Unemployment Insurance Reserve	$ 99,809	$	$
Employees' Retirement Contribution Reserve	730,000		
Employee Benefit Accrued Liability Reserve	1,054,944		
Insurance Reserve	6,308		
Tax Certiorari Reserve	24,140		
Capital Reserve	204,572		
Repair reserve	100,000		
Debt Service		1,390,487	
Capital Project			1,251,068
Total Restricted	$2,219,773	$1,390,487	$1,251,068

- Restricted cash and cash equivalents of $486,566 in the fiduciary funds represent funds gifted to the School District for scholarships to students. The funds are held in the Private Purpose Trust Fund.

5. PARTICIPATION IN BOCES

During the year, the School District was billed $4,796,676 for BOCES' administrative and program costs. Financial statements for the BOCES are available from the Delaware-Chenango-Madison-Otsego BOCES' administrative office at 6678 County Road 32, Norwich, New York 13815.

During the year ended June 30, 2018, the School District issued no debt on behalf of BOCES. However, during 2007, the BOCES issued $47,755,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of the BOCES as a lease payment included in the administrative budget of the BOCES over the term of the bonds. During the year ended June 30, 2015, the BOCES refunded the bond. The outstanding balance at June 30, 2018 was $28,450,000.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	Beginnning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 474,324	$	$	$ 474,324
Construction in Progress		349,042		349,042
Total	474,324	349,042		823,366
Capital Assets Being Depreciated				
Buildings and Improvements	65,995,506			65,995,506
Furniture and Equipment	9,344,819	142,793	19,785	9,467,827
Vehicles	427,649	32,850	35,082	425,417
Total	75,767,974	175,643	54,867	75,888,750
Accumulated Depreciation				
Buildings and Improvements	24,616,297	1,482,843		26,099,140
Furniture and Equipment	8,716,082	29,753	18,796	8,727,039
Vehicles	276,378	23,809	35,082	265,105
Total	33,608,757	1,536,405	53,878	35,091,284
Net Capital Assets Being Depreciated	42,159,217	(1,360,762)	989	40,797,466
Net Capital Assets	$ 42,633,541	$ (1,011,720)	$ 989	$ 41,620,832

Depreciation expense was allocated based on estimated usage by function as follows:

Function/Program	
General Support	$ 230,461
Instruction	921,843
Pupil Transportation	307,281
School Lunch	76,820
Total Depreciation	$ 1,536,405

7. NONCURRENT LIABILITIES

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These are long-term liabilities, which are full faith and credit debt of the local government. Noncurrent liability balances and activity are as follows:

Description	Restated Beginning Balance	Issued	Paid	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	$ 17,685,000		$ (2,660,000)	$ 15,025,000	$ 1,995,000
Bonds Premium	158,179		(31,635)	126,544	31,636
OPEB Liability	41,147,979	2,428,401	(88,411)	43,487,969	
Compensated Absences	1,614,821	105,160		1,719,981	
Total Governmental Activities	$ 60,605,979	$ 2,533,561	$ (2,780,046)	$ 60,359,494	$ 2,026,636

Long-Term Debt Maturity Schedule

Details relating to general obligation (serial) bonds of the School District outstanding at June 30, 2018, are summarized as follows:

Payable From/Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
General Fund					
Building Renovations (2007 Refunding)	08/16	$ 2,095,000	02/22	2.00-4.00	$ 1,695,000
Building Renovations - QZAB	04/10	$ 2,220,000	06/24	0.80	980,000
Building Renovations - 2008	06/14	$ 2,185,000	06/26	2.25-3.00	1,520,000
Building Renovations - 2008	06/15	$ 10,030,000	06/26	2.00-3.00	7,525,000
Building Renovations - 2016	06//16	$ 4,070,000	06/26	2.00	3,305,000
					$ 15,025,000

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

Interest Paid	$ 423,690
Less: Interest Accrued in the Prior Year	(21,526)
Plus: Interest Accrued in the Current Year (including adjustments)	40,147
Less: Amortization of Bond Premium	(31,635)
Plus: Amortization of Deferred Charge From Bond Refunding	22,945
Total Interest Expense on Long-Term Debt	$ 433,621

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

For the Year Ending June 30,	Serial Bonds Principal	Interest	Total
2019	$ 1,995,000	$ 371,996	$ 2,366,996
2020	2,035,000	329,591	2,364,591
2021	2,095,000	282,074	2,377,074
2022	2,150,000	230,610	2,380,610
2023	1,745,000	177,340	1,922,340
2024-2026	5,005,000	266,183	5,271,183
Total	$ 15,025,000	$ 1,657,794	$ 16,682,794

Defeased Debt

The District defeased bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, the balance of the defeased bonds was $1,765,000.

The difference between the reacquisition price of the new bonds and the net carrying amount of the old bonds has been reported as a deferred outflow of resources on the Statement of Net Position and is being amortized on the District–wide financial statements using the straight–line method, the remaining time to maturity of the refunded bonds. The current–year amortization is $22,945 and is included as an addition to interest expense on the District-wide financial statements. The balance of the deferred amounts from the refunding of debt, net of amortization recorded on the Statement of Net Position is as follows:

Deferred Amounts from Refunding Debt	$	154,114
Less: Accumulated Amortization		(128,039)
Deferred Amount from Refunding Debt, Net	$	26,075

Deferred Premium

The deferred amount on the bond premiums of the 2007 series bonds is being amortized on the District–wide financial statements using the straight–line method over 6 years, the remaining time to maturity of the refunded bonds. The current–year amortization is $31,635 and is included as interest expense on the district-wide financial statements.

Deferred Premium	$	189,814
Less: Accumulated Amortization		(63,270)
Net Deferred Amount on Refunding	$	126,544

8. OPERATING LEASE

In July 2013, the District entered into an operating lease agreement for their bus fleet. The Lessor agreed to purchase all of the buses that the District owned and has included that value in the contractual lease payment over the term of the agreement of five years. The lease for the current fleet of buses ended June 30, 2018. Total lease payments for the year ended June 30, 2018 were $441,702.

In July 2018, the District entered into a new operating lease agreement for twenty-five 66 passenger buses and five 48 passenger lift-equipped buses. The District does not intend to exercise the lease purchase option of $988,000 at the end on the lease at July 1, 2023.

Future minimum lease payments under the operating lease for the remaining terms are as follows:

Year Ending	Amount
June 30, 2019	$ 610,617
June 30, 2020	$ 610,617
June 30, 2021	$ 610,617
June 30, 2022	$ 610,617
June 30, 2023	$ 610,617

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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php 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, and prior to 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:

		Amount
2016	$	573,935
2017	$	505,037
2018	$	547,285

(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 $413,495 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 0.0128118 percent, compared to 0.0122618 percent at June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of $509,049. 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 of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 147,480	$ 121,872
Change of Assumptions	274,181	
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	600,569	1,185,463
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	80,536	20,928
Contributions Subsequent to the Measurement Date	137,571	
Total	$ 1,240,337	$ 1,328,263

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

Year Ended June 30,	
2019	$ 97,671
2020	$ 86,535
2021	$ (284,869)
2022	$ (124,834)

(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.

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

Investment Rate of Return (Net of Investment Expense, including Inflation)	7.00%
Salary Scale	3.80%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation Rate	2.50%

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

The actuarial assumptions used in the April 1, 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 Allocation	Expected Real Rate of Return
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return Strategies	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Assets	3%	5.54%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed Bonds	4%	1.50%
	100%	

(e) Discount Rate

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

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

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

	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
Proportionate Share of the Net Pension Liability (Asset)	$ 3,128,616	$ 413,495	$ (1,883,389)

(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 $137,571 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 maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System.

For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

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

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

		Amount
2016	$	1,401,965
2017	$	1,255,301
2018	$	1,056,319

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 $513,750 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 0.067590 percent compared to 0.068517 percent at June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of $1,298,143. 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 of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 422,690	$ 200,305
Changes of Assumptions	5,227,503	
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments		1,210,029
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	56,495	30,662
Contributions Subsequent to the Measurement Date	1,056,319	
Total	$ 6,763,007	$ 1,440,996

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

Year Ended June 30:	
2018	$ 125,402
2019	$ 1,389,552
2020	$ 996,238
2021	$ 252,213
2022	$ 993,358
Thereafter	$ 508,929

(d) Actuarial Assumptions

The total pension asset 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 to June 30, 2017. The actuarial valuation used the following actuarial assumptions.

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 Society of Actuaries Scale MP2014, applied on a generational basis. Active member morality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	37.0%	6.1%
International Equity	18.0%	7.3%
Real Estate	10.0%	5.4%
Alternative Investments	7.0%	9.2%
Domestic Fixed Income Securities	17.0%	1.0%
Global Fixed Income Securities	2.0%	0.8%
Mortgages	8.0%	3.1%
Short-Term	1.0%	0.1%
	100.0%	

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

(e) Discount Rate

The discount rate used to measure the pension asset was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents School District's proportionate share of the net pension asset 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% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability (Asset)	$ 8,850,386	$ (513,750)	$ (8,355,749)

(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 $1,126,148 ($1,056,319 District share and $69,829 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. The School District's share has been accrued as an expenditure in the current year.

10. POSTEMPLOYMENT HEALTH CARE BENEFITS

(a) Plan Description

The School District administers the Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements. Generally, employees may retire with benefits when they reach the minimum age of 55 and have 20 years of service with the District.

The School District acquires health insurance through a consortium known as Broome Tioga Health Insurance Consortium. Benefits provided by the Consortium are administered by BlueCross BlueShield. The Consortium covers medical and pharmaceutical costs. Refer to the plan documents for the specifics and limitations of the coverage offered to the retirees. Many of the services in the Consortium's plan require co-payments at various levels depending on the nature of the service.

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 benefits provided to active employees at retirement and eligibility requirements are summarized below:

Employee Group	Decription of Benefits	Contributions	Required Service	Required Age
Superintendent	Medical	I- 50% or 90% F- 50% or 90% SS- 50% or 90%	After 5 years: 50% for life, After 10 years: 90% for life	55
Administrators (SEAA)	Medical	I- 50% F- 65% SS- 65%	None	55
Teaching Employees (SETA)	Medical	I- 50% F- 65% SS- 65%	None	55
CSEA	Medical	I- 50% F- 65% SS- 65%	10 years	55
Central Office (SECO)	Medical	I- 50% F- 50% SS- 50%	10 years	55
Current Retirees	Medical Medicare Part B	I- Variuos F- Various SS- Various	Only one current retiree receives a Medicare Part B reimbursement	

(c) Employees Covered by Benefit Terms

	Total
Inactive employees currently receiving benefit payments	151
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	289
Total	440

(d) Total OPEB Liability

The District's total OPEB liability of $43,487,969 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date July 1, 2017.

(e) Changes in the Net OPEB Liability

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

Balances, June 30, 2017	$	41,147,979
Changes recognized for the year:		
Service cost		1,940,993
Interest on Total OPEB Liability		1,280,855
Differences between expected and actual experience		(88,411)
Benefit payments		(793,447)
Net changes		2,339,990
Balance as of June 30, 2018	$	43,487,969

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.0 percent) or 1 percentage point higher (4.0 percent) than the current discount rate:

	1% Decrease 2.00%	Current Assumption 3.00%	1% Increase 4.00%
Total OPEB liability	$ 51,945,230	$ 43,487,969	$ 36,849,655

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50 declining to 3.50 percent) or 1 percentage point higher (8.50 declining to 5.50 percent) than the current healthcare cost trend rate:

	1% Decrease	Current Assumption	1% Increase
Total OPEB liability	$ 34,356,095	$ 43,487,969	$ 56,983,306

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 District recognized OPEB expense of $3,212,133. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ (78,696)

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:

Year ended June 30:	Amount
2019	$ (9,715)
2020	(9,715)
2021	(9,715)
2022	(9,715)
2023	(9,715)
Thereafter	(30,121)

(i) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 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	July 1, 2016
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal - Level Percent of Pay
Plan Type	Single Employer Defined Benefit Plan
Inflation rate	2.60%
Healthcare Cost Trend Rates	7.5% in 2016, decreasing 0.5% per year to an ultimate rate of 4.5% in 2022
Discount Rate	3% - based on S&P Municipal Bond 20-year Index for bonds with an average rating of AA/Aa or higher
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016.
Mortality Improvements	Projected to date of decrement using Scale MP-2016 (generational mortality).

There were no changes in assumptions from the prior measurement date.

11. INTERFUND TRANSACTIONS – GOVERNMENTAL AND FIDUCIARY FUNDS

	Interfund		Interfund	
Fund Type	Receivables	Payables	Revenues	Expenditures
General	$ 61,601	$	$	$ 1,652,633
School Lunch			40,000	
Special Aid		61,601	12,633	
Debt Service	110			
Capital Fund		110	1,600,000	
Expendable Trust		481		
Trust and Agency	481			
Total	$ 62,192	$ 62,192	$ 1,652,633	$ 1,652,633

- The District typically transfers from the General Fund to the Special Aid Fund, as a required local match for Federal and State grants.
- For the year ended June 30, 2018, the District transferred $40,000 to the School Lunch Fund to aid in covering the deficit revenue over expenditures.
- The District Board approved a transfer of $1,600,000 from the General Fund to the Capital Fund to help fund the 2018 Capital Project.
- The interfund payables and receivables will be repaid within the next fiscal year.

12. CONTINGENCIES AND COMMITMENTS

Risk Financing and Related Insurance

The School District is exposed to various risks of loss related to tax certiorari, torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. Except for tax certiorari, 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 four years.

Potential Grantor Liability

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

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, Special Revenue Funds, and Capital Projects Fund. At June 30, 2018, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. The General Fund encumbrances are reflected as part of the assigned fund balance. The other encumbrances are not reflected on the fund financial statements because the assignment would result in a negative unassigned fund balance. Significant encumbrances included in governmental fund balances are as follows:

	Assigned General Fund
Encumbrances	
General Support	$ 418
Instruction	1,791
Pupil Transportation	1,294
Total Encumbrances	$ 3,503

13. 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 Balance	Increase (Decrease)	Ending Balance
Restricted			
General Fund			
Unemployment Insurance	$ 99,809	$	$ 99,809
Employees' Retirement Contribution Reserve	730,000		730,000
Employee Benefit Accrued Liability	1,054,944		1,054,944
Insurance	6,308		6,308
Tax Certiorari	24,140		24,140
Capital Reserve	204,572		204,572
Repair Reserve	100,000		100,000
Total General Fund Restricted	$ 2,219,773	$	$ 2,219,773

(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 Lunch	Special Aid	Debt Service	Capital	Total
Nonspendable	$ 1,150	$ 34,328	$	$	$	$ 35,478
Restricted						
Unemployment Insurance Reserve	99,809					99,809
Employees' Retirement Contribution Reserve	730,000					730,000
Employee Benefit Accrued Liability Reserve	1,054,944					1,054,944
Insurance Reserve	6,308					6,308
Tax Certiorari Reserve	24,140					24,140
Capital Reserve	204,572					204,572
Repair reserve	100,000					100,000
Debt Service				1,390,597		1,390,597
Capital Project					1,250,958	1,250,958
Total Restricted	2,219,773			1,390,597	1,250,958	4,861,328
Assigned						
General Support	418					418
Instruction	1,791		58,226			60,017
Pupil Transportation	1,294					1,294
Appropriated for Subsequent Year's Budget	1,250,000					1,250,000
Total Assigned	1,253,503		58,226			1,311,729
Unassigned	2,957,229	(7,866)				2,949,363
Total Fund Balance	$6,431,655	$ 26,462	$ 58,226	$1,390,597	$1,250,958	$9,157,898

14. TAX ABATEMENTS

The District is subject to tax abatements that are granted by the Chenango County Industrial Development Agency (CCIDA). Article 18-A of the New York State Municipal Law, "New York Industrial Development Agency Act" was enacted to provide for the creation of Industrial Development Agencies (IDA's) to facilitate economic development in specific localities, and delineate their powers and status as public benefit corporation. The legislation established the power of New York IDA's, including the authority to grant tax abatements and enter into agreements to require payment in lieu of taxes. Each IDA must adopt and follow a tax exemption policy with input from the effected taxing jurisdictions, however once created the IDA can independently grant abatements in conformity with their policy. The CCIDA enters into agreements to abate property tax for the purpose of increasing or retaining employment in the County.

Property abatements may be partially offset by an agreement that requires payments in lieu of taxes. These agreements specify the annual amount to be remitted by the property owner and are allocated to the effected jurisdiction based on the proportion of taxes abated. The District has chosen to disclose information about its tax abatement by purpose. At June 30, 2018, there are no amounts receivable from CCIDA.

Abatement agreements of CCIDA resulted in a revenue impact to the District for the year ended June 30, 2018 as follows:

Purpose	Gross Tax Amounts	Payments in Lieu of Taxes	Net Revenue Reduction
Economic Development and Job Creation	$ 327,647	$ 166,684	$ 160,963

15. NET POSITION DEFICIT – DISTRICT-WIDE

The District-wide net position had an unrestricted deficit at June 30, 2018 of $36,027,921, and a total net position deficit of $3,446,347. The deficit is 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 $43,487,969 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the additional accruals are expected to increase the deficit in subsequent years.

16. PRIOR PERIOD ADJUSTMENT – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

A prior period adjustment of $18,834,202 has been reflected in the government-wide financial statements to increase beginning net OPEB liability to implement GASB Statement 75, which more accurately reflects the liability at June 30, 2017.

SHERBURNE-EARLVILLE 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 Budget	Final Budget	Actual	Final Budget Variance With Actual
Revenues				
Local Sources				
Real Property Taxes	$ 6,953,787	$ 5,662,525	$ 5,661,275	$ (1,250)
STAR and Other Real Property Tax Items	185,000	1,476,262	1,496,432	20,170
Charges for Services	5,000	5,000		(5,000)
Use of Money and Property	36,000	36,000	9,898	(26,102)
Sale of Property and Compensation for Loss	500	500	20,299	19,799
Miscellaneous	183,800	183,800	245,951	62,151
State Aid	24,561,570	24,561,570	24,014,735	(546,835)
Federal Aid	75,000	75,000	197,378	122,378
Total Revenues	32,000,657	32,000,657	31,645,968	(354,689)
Other Financing Sources				
Transfers from Other Funds	1,050,000	1,050,000		(1,050,000)
Appropriated Fund Balance	1,276,776	2,876,776		(2,876,776)
Total Revenues and Other Financing Sources	$ 34,327,433	$ 35,927,433	$ 31,645,968	$ (4,281,465)

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	$ 9,550	$ 11,075	$ 10,459	$	$ 616
Central Administration	180,835	190,535	190,034	386	115
Finance	464,690	459,815	442,187		17,628
Staff	141,340	142,490	122,876		19,614
Central Services	2,736,830	3,080,280	2,848,350	32	231,898
Special Items	900,000	900,000	881,733		18,267
Total General Support	4,433,245	4,784,195	4,495,639	418	288,138
Instruction					
Instruction, Administration, and Improvement	938,129	921,566	863,688		57,878
Teaching - Regular School	8,429,810	8,459,240	7,824,161	264	634,815
Programs for Children With Special Needs	4,909,575	4,585,527	3,802,349	978	782,200
Occupational Education	902,806	925,660	923,073		2,587
Teaching - Special School	77,000	66,530	40,740		25,790
Instructional Media	1,060,746	1,032,445	881,954	549	149,942
Pupil Services	1,100,331	1,131,480	1,065,365		66,115
Total Instruction	17,418,397	17,122,448	15,401,330	1,791	1,719,327
Pupil Transportation	1,778,410	1,778,410	1,678,024	1,294	99,092
Community Services	21,680	23,930	18,760		5,170
Employee Benefits	7,567,000	7,472,048	7,041,659		430,389
Debt Service - Principal	2,660,000	2,660,000	2,660,000		
Debt Service - Interest	423,701	423,702	423,690		12
Total Expenditures	34,302,433	34,264,733	31,719,102	3,503	2,542,128
Other Financing Uses					
Transfers to Other Funds	25,000	1,662,700	1,652,633		10,067
Total Expenditures and Other Financing Uses	$ 34,327,433	$ 35,927,433	33,371,735	$ 3,503	$ 2,552,195
Net Change in Fund Balance			(1,725,767)		
Fund Balance - Beginning of Year			8,157,422		
Fund Balance - End of Year			$ 6,431,655		

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.

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

For the Year Ended June 30, 2018

Measurement Date		6/30/2018
Total OPEB Liability		
Service cost	$	1,940,993
Interest on Total OPEB Liability		1,280,855
Change in assumptions and other inputs		
Differences between expected and actual experience in the measurement of the total OPEB liability		(88,411)
Benefit payments		(793,447)
Net change in total OPEB Liability		2,339,990
Total OPEB Liability - Beginning		41,147,979
Total OPEB Liability - Ending	$	43,487,969
Covered payroll	$	13,387,873
Total OPEB Liability as a percentage of covered payroll		324.83%

* 10 years of historical information will not be available upon

Notes to Required Supplementary Information:
The District does not currently maintain assets in an OPEB trust.

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 actuarial cost method under GASB 75 is prescribed and reflects a change from Projected Unit Credit, which was the most common method used under GASB 45, to Entry Age Normal - Level Percentage of Salary.

The discount rate changed from 4.00% to 3.00%, which is a prescribed discount rate under GASB 75, and is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

SHERBURNE EARLVILLE CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Year Ended June 30, 2018

ERS Pension Plan
Last 8 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 547,285	$ 505,037	$ 573,935	$ 569,559	$ 765,912	$ 713,524	$ 676,692	$ 399,000
Contributions in Relation to the Contractually Required Contribution	547,285	505,037	573,935	569,559	765,912	672,890	676,692	399,000
Contribution Deficiency (Excess)	$	$	$	$	$	$ 40,634	$	$
School District's Covered- ERS Employee Payroll	$ 3,734,411	$ 3,404,511	$ 3,321,378	$ 3,349,527	$ 3,875,569	$ 3,721,536	$ 3,340,323	$ 3,563,442
Contributions as a Percentage of Covered-Employee Payroll	14.66%	14.83%	17.28%	17.00%	19.76%	18.08%	20.26%	11.20%

TRS Pension Plan
Last 8 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 1,056,319	$ 1,255,301	$ 1,401,965	$ 1,795,692	$ 1,625,245	$ 1,159,971	$ 1,065,734	$ 862,601
Contributions in Relation to the Contractually Required Contribution	1,056,319	1,255,301	1,401,965	1,795,692	1,625,245	1,159,971	1,065,734	862,601
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$
School District's Covered- TRS Employee Payroll	10,778,765	10,710,759	10,541,090	10,261,097	9,970,828	9,572,427	9,601,207	10,006,972
Contributions as a Percentage of Covered-Employee Payroll	9.80%	11.72%	13.26%	17.53%	16.25%	12.10%	11.11%	8.62%

Information is presented only for the years available.

SHERBURNE EARLVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
For the Year Ended June 30, 2018

ERS Pension Plan

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0128118%	0.0122618%	0.0125742%	0.012812%	0.012812%
District's proportionate share of the net pension liability	$ 413,495	$ 1,152,144	$ 2,018,190	$ 431,642	$ 577,379
District's covered-employee payroll	$ 3,734,411	$ 3,404,511	$ 3,321,378	$ 3,349,527	$ 3,875,569
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.07%	33.84%	60.76%	12.89%	14.90%
Plan fiduciary net position as a percentage of total pension liability	98.20%	94.70%	90.70%	97.90%	97.20%

TRS Pension Plan

	2017	2016	2015	2014	2013
District's proportion of the net pension asset/liability	0.067590%	0.068517%	0.068193%	0.067708%	0.066884%
District's proportionate share of the net pension (asset) liability	$ (513,750)	$ 733,848	$ (7,083,095)	$ (7,542,234)	$ (440,266)
District's covered-employee payroll	$ 10,710,759	$ 10,541,090	$ 10,261,097	$ 9,970,828	$ 9,572,427
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	4.80%	6.96%	69.03%	75.64%	4.60%
Plan fiduciary net position as a percentage of total pension asset/liability	100.66%	99.01%	110.46%	111.48%	100.70%

See Independent Auditor's Report.

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LIMIT CALCULATION
For the Year Ended June 30, 2018

Change from Adopted Budget to Revised Budget

Adopted Budget	$ 34,300,657
Add: Prior Year's Encumbrances	26,776
Original Budget	34,327,433
Add: Appropriated Fund Balance - 2018 Capital Project	1,600,000
Total Additions	1,600,000
Final Budget	$ 35,927,433

Section 1318 of Real Property Tax Law Limit Calculation

2018-19 Voter-Approved Expenditure Budget		$ 34,539,165
Maximum Allowed (4% of 2018-19 budget)		**$ 1,381,567**
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 1,253,503	
Unassigned Fund Balance	2,957,229	
Total Unrestricted Fund Balance		4,210,732
Less:		
Appropriated Fund Balance	1,250,000	
Encumbrances Included in Assigned Fund Balance	3,503	
Total adjustments		1,253,503
General Fund's Fund Balance Subject to Section 1318 of Real Property Tax Law		**$ 2,957,229**
Actual Percentage		**8.6%**

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

			Expenditures				Methods of Financing				Fund
	Original Authorization	Revised Authorization	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Federal and State Aid	Local Sources	Total	Balance June 30, 2018
PROJECT TITLE											
2018 Capital Project	$ 11,695,000	$ 11,695,000	$ 0	$ 349,042	$ 349,042	$ 11,345,958	$ 0	$ 0	$ 1,600,000	$ 1,600,000	$ 1,250,958

See Independent Auditor's Report.

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
June 30, 2018

Capital Assets, Net	$	41,620,832
Add:		
Capital Restricted Cash		1,251,068
Deduct:		
Due to Other Funds		110
Premium on Bonds Payable		126,544
Current Portion of Serial Bonds Payable		2,026,636
Serial Bonds Payable		12,998,364
		15,151,654
Net Investment in Capital Assets	$	27,720,246

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
Sherburne-Earlville 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 Sherburne-Earlville 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 12, 2018.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

D'Arcangelo + Co., LLP

October 12, 2018

Rome, New York

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

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

Board of Education
Sherburne-Earlville Central School District

Report on Compliance for Each Major Federal Program

We have audited Sherburne-Earlville 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 Sherburne-Earlville Central School District's major federal programs for the year ended June 30, 2018. Sherburne-Earlville 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 Sherburne-Earlville 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 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 Sherburne-Earlville 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 Sherburne-Earlville Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sherburne-Earlville 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 Sherburne-Earlville 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 Sherburne-Earlville 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 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 Sherburne-Earlville 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

D'Arcangelo + Co., LLP

October 12, 2018

Rome, New York

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Total Federal Expenditures
U.S. Department of Agriculture			
(Passed Through the State Education Department of the State of New York - Pass-Through Grantor's No. 082001-04-0000)			
Child Nutrition Cluster			
Non-Cash Assistance			
Food Donation	10.555	N/A	$ 48,599
Cash Assistance			
School Breakfast Program	10.553	N/A	106,078
National Snack Program	10.555	N/A	6,408
National School Lunch Program	10.555	N/A	326,932
Cash Assistance Subtotal			439,418
Total U.S. Department of Agriculture and Child Nutrition Cluster			488,017
U.S. Department of Education			
(Passed Through the State Education Department of the State of New York - Pass-Through)			
Special Education Cluster			
Special Education – Grants to States (IDEA, Part B)	84.027	0032-18-0131	399,619
Special Education – Preschool Grants (IDEA, Preschool)	84.173	0033-18-0131	5,406
Total Special Education Cluster			405,025
Title I Grants to Local Education Agencies, Part A	84.010	0021-18-0470	331,324
Improving Teacher Quality – State Grants, Title IIA	84.367	0147-18-0470	51,273
Total U.S. Department of Education			787,622
Total Federal Awards Expended			$ 1,275,639

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

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Accounting

The expenditures in the accompanying schedule are presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sherburne-Earlville Central School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Sherburne-Earlville Central School District.

De Minimis Indirect Cost Rate

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

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 $16,928 in inventory.

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

SHERBURNE-EARLVILLE 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)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Education CFDA #84.027 Special Education – Grants to States (IDEA, Part B) CFDA #84.173 Special Education – Preschool Grants (IDEA, Preschool)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Findings - Financial Statements Audit

No findings noted.

Findings and Questioned Costs - Major Federal Award Programs Audit Program

No findings noted.

SHERBURNE-EARLVILLE CENTRAL SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2018

Findings - Financial Statements Audit

No findings noted.

Findings and Questioned Costs - Major Federal Award Programs Audit Program

No findings noted.

FORM OF BOND COUNSEL'S OPINION

August 1, 2019

Sherburne-Earlville Central School District,
Counties of Chenango and Madison,
State of New York

Re: Sheburne-Earlville Central School District, Chenango and Madison Counties, New York
$10,095,000 Bond Anticipation Notes, 2019

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $10,095,000 Bond Anticipation Notes, 2019 (the "Obligations"), of the Sherburne-Earlville Central School District, Counties of Chenango and Madison, State of New York (the "Obligor"), dated August 1, 2019 in the denomination of $_________, bearing interest at the rate of __________% per annum, payable at maturity, and maturing June 26, 2020.

We have examined:

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

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

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

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

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

In our opinion:

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

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

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

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

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

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

Very truly yours,

Orrick, Herrington & Sutcliffe LLP