

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any applicable jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 10, 2019

REFUNDING ISSUE

S&P GLOBAL RATINGS: "A+" STABLE OUTLOOK

SERIAL BOND

See "BOND RATING" herein

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "TAX MATTERS" herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that, interest on the Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that interest on the Bonds 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 Bonds. See "TAX MATTERS" herein.

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

\$2,655,000*

**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK**



**GENERAL OBLIGATIONS
CUSIP BASE: 537160**

**\$2,655,000* School District Refunding (Serial) Bonds, 2019
(referred to herein as the "Bonds")**

Dated: Date of Delivery

Due: April 15, 2020-2025

MATURITIES

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2020	\$ 470,000				2023	\$ 485,000			
2021	450,000				2024	505,000			
2022	470,000				2025	275,000			

The Bonds are not subject to redemption prior to maturity.

The Bonds will be general obligations of the City School District of the City of Little Falls, Herkimer County, New York (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. See "TAX LEVY LIMITATION LAW" and "THE BONDS – Nature of Obligation" herein.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Interest on the Bonds will be payable on October 15, 2019 and semi-annually thereafter on April 15 and October 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Hodgson Russ LLP, Bond Counsel, Albany, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Roemer Wallens Gold & Mineaux LLP, Albany, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser, on or about August 7, 2019.

ROOSEVELT & CROSS INCORPORATED

July __, 2019

* Preliminary, subject to change.

**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK**

DISTRICT OFFICIALS

2019-2020 BOARD OF EDUCATION

KRISTINA M. HAMEISTER
President



BERNARD JODWAY
Vice President

TRACY COULSON
JOSEPH FINKST, JR.
FRANK MENDEL
BARBARA T. PALMER
CHRISTINE SHEPARDSON

* * * * *

DR. KEITH T. LEVATINO
Superintendent of Schools

ASHRAF ALLAM
Director of Business Operations and Technology

MELISSA L. REFF
Payroll Clerk/District Treasurer

CHRISTINE M. DILLENBECK
Accounts Payable/Deputy District Treasurer



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisors



Bond Counsel

No person has been authorized by City School District of the City of Little Falls 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 Bonds 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 City School District of the City of Little Falls.

The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKETS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
NATURE OF THE OBLIGATIONS	1	STATUS OF INDEBTEDNESS (cont.)	
THE BONDS.....	2	Cash Flow Borrowings	27
Description of the Bonds.....	2	Estimated Overlapping Indebtedness	27
No Optional Redemption	3	Debt Ratios	27
BOOK-ENTRY-ONLY SYSTEM.....	3	SPECIAL PROVISIONS AFFECTING	
Certificated Bonds.....	4	REMEDIES UPON DEFAULT.....	28
AUTHORIZATION AND PLAN OF REFUNDING.....	5	MARKET AND RISK FACTORS	29
Authorization and Purposes.....	5	TAX MATTERS	30
The Refunding Financial Plan	5	LEGAL MATTERS.....	31
Verification of Mathematical Computations	6	LITIGATION.....	31
Sources and Uses of Bond Proceeds.....	6	UNDERWRITING.....	32
THE SCHOOL DISTRICT	7	CONTINUING DISCLOSURE	32
General Information	7	Historical Compliance	32
Population	7	RATING	32
Larger Employers.....	7	MUNICIPAL ADVISOR.....	32
Selected Wealth and Income Indicators	8	CUSIP IDENTIFICATION NUMBERS.....	32
Unemployment Rate Statistics	8	MISCELLANEOUS.....	33
Form of School Government.....	8	APPENDIX - A	
Budgetary Procedures	8	GENERAL FUND - Balance Sheets	
Investment Policy.....	9	APPENDIX - A1	
State Aid	10	GENERAL FUND – Revenues, Expenditures and	
State Aid Revenues	12	Changes in Fund Balance	
District Facilities	13	APPENDIX - A2	
Enrollment Trends.....	13	GENERAL FUND – Revenues, Expenditures and	
Employees.....	13	Changes in Fund Balance - Budget and Actual	
Status and Financing of Employee Pension Benefits	13	APPENDIX – B	
Other Post-Employment Benefits.....	16	BONDED DEBT SERVICE	
Other Information	18	APPENDIX – B1	
Financial Statements	18	CURRENT BONDS OUTSTANDING	
New York State Comptroller Report of Examination.....	18	APPENDIX - C	
The State Comptroller's Fiscal Stress Monitoring System	19	COMPUTATIONS OF FULL VALUATION	
TAX INFORMATION.....	20	APPENDIX - D	
Taxable Assessed Valuations	20	FORM UNDERTAKING TO PROVIDE CONTINUING	
Tax Rate Per \$1,000 (Assessed).....	20	DISCLOSURE	
Tax Collection Procedure.....	20	APPENDIX - E	
Tax Levy Collection Record	20	AUDITED FINANCIAL STATEMENTS AND	
Real Property Tax Revenues	21	SUPPLEMENTARY INFORMATION- JUNE 30, 2018	
Larger Taxpayers 2018 for 2018-2019 Tax Roll	21		
STAR - School Tax Exemption.....	21		
Additional Tax Information	21		
TAX LEVY LIMITATION LAW	22		
STATUS OF INDEBTEDNESS	24		
Constitutional Requirements	24		
Statutory Procedure	24		
Debt Outstanding End of Fiscal Year.....	25		
Details of Outstanding Indebtedness	25		
Debt Statement Summary.....	26		
Bonded Debt Service.....	26		
Capital Project Plans	26		

PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051

www.fiscaladvisors.com

OFFICIAL STATEMENT
of the
CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK
Relating To
\$2,655,000* School District Refunding (Serial) Bonds, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the City School District of the City of Little Falls, Herkimer County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the School District of \$2,655,000* principal amount of School District Refunding (Serial) Bonds, 2019 (the "Bonds").

The factors affecting the District's financial condition and the Bonds 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 Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

NATURE OF OBLIGATION

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

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

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 Bonds 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.

*Preliminary, subject to change

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 BONDS

Description of the Bonds

The Bonds are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds 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 Bonds and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein..

The Bonds will be dated the date of delivery and will mature in the principal amounts as set forth on the cover page hereof. The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on October 15, 2019 and semi-annually thereafter on April 15 and October 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. See “BOOK-ENTRY-ONLY-SYSTEM” HEREIN. The Bonds may not be converted into coupon bonds or be registered to bearer.

No Optional Redemption

The Bonds are not subject to redemption prior to maturity.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds 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 bond certificate will be issued for each maturity of the Bonds.

DTC 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

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

To facilitate subsequent transfers, all Bonds 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 the Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds 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 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to 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 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond 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 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

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 Bonds

DTC may discontinue providing its services with respect to the Bonds 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 transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the District upon termination of the book-entry-only system. Interest on the Bonds will be payable on October 15, 2019 and semi-annually thereafter on April 15 and October 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purposes

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the Board of Education on June 12, 2019 (the “Refunding Bond Resolution”) and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$2,770,000, outstanding principal balance of the School District (Serial) Bonds, 2010, dated April 15, 2010, originally issued by the School District in the aggregate principal amount of \$6,151,500 (“Refunded Bonds”) and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were authorized by the Board of Education pursuant to a bond resolution adopted by the Board of Education on July 11, 2007 to provide funds for the following purposes and amounts:

\$6,151,500 School District (Serial) Bonds, 2010 – April 15, 2010

<u>Issued</u>	<u>Purpose</u>	<u>Amount Originally</u>
	Construction and reconstruction of various District facilities	\$ 6,151,500

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the District’s refunding financial plan (the “Refunding Financial Plan”). The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of the Government Obligations. The Government Obligations are to be placed in an irrevocable trust fund (the “Escrow Deposit Fund”) with Manufacturers and Traders Trust Company (the “Escrow Holder”), pursuant to the terms of an escrow contract (the “Escrow Contract”) by and between the District and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations will mature in amounts and bear interest sufficient, together with any un-invested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments with respect to the Refunded Bonds on the dates such payments are due or, in the case of Refunded Bonds subject to redemption prior to maturity, upon their earliest redemption dates (the “Payment Dates”). The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Refunding Bond Resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their respective first permitted redemption date. The owners of the Refunded Bonds will have a first lien on all of the respective cash and securities necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the un-invested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

The District is expected to realize, as a result of the issuance of the Bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from District sources legally available therefore. However, inasmuch as the Government Obligations and cash held in the Escrow Deposit Fund will have been verified to be sufficient to meet all required payments of principal and interest on the Refunded Bonds, it is not anticipated that such District sources of payment will be used. (See “Verification of Mathematical Computations” herein.)

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

The list of Refunded Bond maturities set forth below, may be changed by the District in its sole discretion due to market or other factors considered relevant by the District at the time of pricing of the Bonds and no assurance can be given that any particular series of bonds listed or that any particular maturity thereof will be refunded.

\$6,151,500 School District (Serial) Bonds, 2010 – April 15, 2010
CUSIP BASE: 537160

<u>Due April 15th</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CSP</u>
2020	\$ 460,000	3.750%	9/10/2019	100.00%	EL3
2021	475,000	3.750	9/10/2019	100.00	EM1
2022	495,000	4.000	9/10/2019	100.00	EN9
2023	515,000	4.000	9/10/2019	100.00	EP4
2024	530,000	4.000	9/10/2019	100.00	EQ2
2025	295,000	4.000	9/10/2019	100.00	ER0
	<u>\$ 2,770,000</u>				

The proceeds of the Refunded Bonds have been expended.

Verification of Mathematical Computations

Causey Demgen & Moore PC, a firm of independent public accountants, will deliver to the District, on or before the date of delivery of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the District and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the maturing principal of and interest on the Refunded Bonds.

The verification performed by Causey Demgen & Moore PC will be solely based upon data, information and documents provided to Causey Demgen & Moore PC by the District and its representatives. Causey Demgen & Moore PC reports of its verification will state Causey Demgen & Moore PC has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds		\$
	Original Issue Premium (Discount)		
		Total	\$
Uses:	Deposit to Escrow Fund		\$
	Underwriter's Discount		
	Costs of Issuance and Contingency		
		Total	\$

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

THE SCHOOL DISTRICT

General Information

The City School District of the City of Little Falls is situated in central New York State, in the southeast sector of Herkimer County. The City of Syracuse is located approximately 65 miles to the west and the City of Albany is approximately 60 miles to the east. Major highways serving the School District include Interstate 90 and New York State Routes 5 and 20.

The School District encompasses approximately 57.41 square miles and includes the City of Little Falls and various portions of the Towns of Danube, Fairfield, Herkimer, Little Falls, Manheim and Stark. The character of the School District is primarily rural with the majority of homes being single family. Commercial activity and industrial development in the District are centered in and around the City of Little Falls.

Transportation is provided to and from the School District by New York State Routes 5 and 20 and Interstate 90. Major airline service is provided at the Hancock International (Syracuse) Airport, which is located about 75 miles to the west of the School District and Albany International Airport located approximately 65 miles to the east.

Electricity is supplied throughout the School District by National Grid. The City of Little Falls maintains its own water supply and distribution system, primarily supported from user charges. The balance of the School District is supplied from well water. Sanitary sewage collection and treatment facilities have been constructed within the City of Little Falls, but not within the rest of the District. Police protection is provided by the New York State Police, the County Sheriff's Offices and the City of Little Falls Police Department. Fire protection and ambulance service is provided by the City of Little Falls Fire Department.

The downtown shopping center in the City of Little Falls recently underwent a major reconstruction in 2013 at an estimated cost in excess of \$11 million. The renovated and newly constructed shopping center is home to a new Price Chopper supermarket. This should have a significant impact on the downtown business sector as well as the entire community. A major industrial manufacturer also completed an \$8 million expansion in 2014 and an industrial gas supplier is completing a new distribution facility in the Town of Manheim at a cost of \$8 million. The District was recently notified of a new solar energy project that will be implemented on a property within the school district. Negotiations are ongoing with the Herkimer County Investment Authority regarding PILOT payments for the project.

Source: District Officials.

Population

The current estimated population of the District is 6,729. (Source: 2017 U.S. Census Bureau estimate)

Larger Employers

Selected major employers located within the School District are as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Little Falls Hospital	Health Care	405
Burrows Paper Corporation	Manufacturing	244
Little Falls City School District	Education	196
Redco Foods	Manufacturing	135
Carton Filler Acquisition Corp.	Manufacturing	110
City of Little Falls	Municipality	90
Alpine Nursing Home	Health Care	89
Ideal Wood Products	Manufacturing	55

Source: District officials.

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
City of:						
Little Falls	\$ 15,139	\$ 23,860	\$ 23,081	\$ 34,583	\$ 50,521	\$ 51,555
Towns of:						
Danube	13,572	17,714	26,755	32,500	40,000	71,827
Fairfield	15,063	23,944	30,355	45,069	56,016	68,269
Herkimer	17,211	18,478	24,868	42,296	44,681	56,033
Little Falls	21,587	27,351	28,791	50,046	67,167	67,667
Manheim	15,429	23,860	21,261	39,032	53,724	60,123
Stark	14,128	19,844	24,942	34,545	50,972	56,667
County of:						
Herkimer	16,141	21,908	24,932	40,570	53,288	61,412
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

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

	<u>Annual Average</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Herkimer County	8.8%	7.8%	6.8%	6.2%	5.5%	5.8%	4.9%
New York State	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%	4.1%

	<u>2018-2019 Monthly Figures</u>											
	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Herkimer County	4.3%	4.0%	3.7%	3.6%	4.1%	5.0%	5.9%	5.7%	5.5%	4.4%	N/A	N/A
New York State	4.2%	4.0%	3.6%	3.6%	3.5%	3.9%	4.6%	4.4%	4.1%	3.6%	N/A	N/A

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

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

Form of School Government

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

The Board of Education which is the policy-making body of the School District, consists of seven members with overlapping five-year terms. Each Board member must be a qualified voter of the School District and no Board member may hold certain other district offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members. The President of the Board is the Chief Fiscal Officer of the School District

Financial Organization

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

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 2017-18 fiscal year was approved by the qualified voters on May 16, 2017 by a vote of 318 to 35. The budget called for a total tax levy increase of 0.00% which was below the District’s Tax Cap of 2.50%.

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 542 to 134. The adopted budget called for a total tax levy increase of 0.00%, which was below the District’s Tax Cap of 2.00%.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 360 to 57. The District’s adopted budget for 2019-20 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.72%, which is below the District tax levy limit of 2.00%.

Investment Policy

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

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) 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 the State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in the State; (4) obligations of New York State; and (5) obligations of the United States Government (U.S. Treasury Bills and Notes).

The School District's policy does not permit the School District to invest in so-called derivatives or reverse repurchase agreements and the School District has never invested in derivatives or reverse repurchase agreements.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-2020 fiscal year, approximately 58.23% 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").

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

Potential reductions in Federal aid received by the State.

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

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

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

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

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

Building aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 95.5% 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 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately \$4.1 million. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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.

State Aid Litigation

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.

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

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

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

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

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

State Aid Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2013-2014	\$ 20,494,916	\$ 11,667,918	56.93%
2014-2015	21,360,714	12,360,722	57.87
2015-2016	21,708,960	12,534,081	57.74
2016-2017	22,316,803	13,034,888	58.41
2017-2018	21,711,976	12,325,104	56.77
2018-2019 (Unaudited)	22,485,657	12,729,452	56.61
2019-2020 (Budgeted)	22,799,520	13,276,707	58.23

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

District Facilities

The School District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Year (s) Built</u>
Benton Hall Elementary School	K-5	1895, '98, '29, '97
Middle School/High School	6-12	1968; '76, '95, 2003

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2014-15	1,121	2019-20	1,115
2015-16	1,079	2020-21	1,122
2016-17	1,129	2021-22	1,130
2017-18	1,155	2022-23	1,138
2018-19	1,108	2023-24	1,146

Source: District officials.

Employees

The School District employs a total of 194 full time and 31 part time employees. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreement are as follows:

<u>Number of Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
122	NYSUT, Teachers	June 30, 2020
4	SAANYS, Administrators	June 30, 2021
43	CSEA, Clerical/Custodian	June 30, 2023
23	CSEA, Teacher Aides	June 30, 2023
4	CSEA, Bus Drivers	June 30, 2023

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:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-2015	\$ 332,573	\$ 1,124,222
2015-2016	400,438	811,534
2016-2017	383,122	761,638
2017-2018	409,981	690,918
2018-2019	409,981	690,918
2019-2020 (Budgeted)	405,000	820,000

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

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District offered an incentive in the 2017-2018 fiscal year, but no employees participated. The District currently does not offer early retirement incentive programs for its employees.

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

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

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

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

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

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by 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.

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 District has not yet determined whether it will establish such a fund.

Other Post Employee Benefits

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

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

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

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

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

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

Balance at June 30, 2017:	\$ 57,702,968
<u>Changes for the year:</u>	
Service cost	1,959,674
Interest	1,678,908
Differences between expected and actual experience	0
Changes of benefit terms	0
Changes in assumptions	(7,057,636)
Benefit payments	<u>(1,507,240)</u>
Net Changes	<u>(4,926,294)</u>
Balance at June 30, 2018:	\$ 52,776,674

Note: The above table is not audited. For additional information see "APPENDIX – E" 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 had contracted with an actuarial firm, to calculate its OPEB in accordance with GASB 45. Based on actuarial valuations, 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 ended June 30, 2016 and June 30, 2017:

<i>Annual OPEB Cost and Net OPEB Obligation:</i>	<u>2016</u>	<u>2017</u>
Annual required contribution (ARC)	\$ 3,144,448	\$ 5,066,580
Interest on net OPEB obligation	901,320	838,913
Adjustment to ARC	<u>(1,458,342)</u>	<u>(1,526,881)</u>
Annual OPEB cost (expense)	2,587,426	4,378,612
Contributions made	<u>(1,151,492)</u>	<u>(1,502,499)</u>
Increase in net OPEB obligation	1,435,934	2,876,113
Net OPEB obligation - beginning of year	<u>22,533,007</u>	<u>23,968,941</u>
Net OPEB obligation - end of year	<u>\$ 23,968,941</u>	<u>\$ 26,845,054</u>
Percentage of annual OPEB cost contributed	44.5%	34.3%

Funding Status:

Actuarial Accrued Liability (AAL)	\$ 29,665,330	\$ 49,249,462
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 29,665,330</u>	<u>\$ 49,249,462</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2017	\$ 4,378,612	34.30%	\$ 26,845,054
2016	2,587,426	44.5%	23,968,941

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 Bonds 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 Bonds 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 – E". Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

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

Unaudited Results for Fiscal Year Ending June 30, 2019:

The District expects to conclude the fiscal year ending June 30, 2019 with an unappropriated unreserved fund balance of approximately \$3,730,768. Summary unaudited projected information for the General Fund for the period ending June 30, 2019 is as follows:

Projected Revenues:	\$ 22,635,657
Projected Expenditures:	<u>22,485,657</u>
Projected Excess (Deficit) Revenues Over Expenditures:	<u>\$ 150,500</u>
Total General Fund Balance at June 30, 2018:	\$ 2,721,659
Total Projected General Fund Balance at June 30, 2019:	\$ 2,872,159

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 May 27, 2016. The purpose of the audit was to evaluate the District's leave accrual procedures for the period July 1, 2014 through December 31, 2015.

Key Findings:

- District employees received and used leave accruals in accordance with individual employee contracts and collective bargaining agreements.

Key Recommendations:

- There were no recommendations as a result of the audit.

The District provided a complete response to the State Comptroller's office on April 18, 2016. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

The State Comptroller's office released an audit report of the District on June 14, 2019. The purpose of the audit was to determine whether the Board and District officials effectively managed financial condition and fund balance for the period from July 1, 2017 to October 31, 2018.

Key Findings:

- For the last three completed fiscal years (2015-16 through 2017-18) surplus fund balance exceeded the statutory limit by \$1.15 to \$1.83 million or 5.3 to 8.5 percentage points.
- The District has generated operating surpluses totaling approximately \$1.5 million over the last three fiscal years. Although total budget variances were generally reasonable, District officials failed to use surplus funds in a manner that benefits the taxpayers and reduces the surplus fund balance.
- District officials have not developed a comprehensive multiyear financial plan.

Key Recommendations:

- Reduce the surplus fund balance to within the statutory limit and use the surplus funds to finance one-time expenditures or needed reserves, pay off debt or reduce property taxes.
- Develop a comprehensive multiyear financial plan.

The District provided a complete response to the State Comptroller's office on May 15, 2019. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

As of the date of this Official Statement, there are no State Comptrollers audits of the District that are currently in progress or pending release.

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2018	No Designation	0.0%
2017	No Designation	0.0%
2016	No Designation	6.7%
2015	No Designation	15.0%

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 Valuations ⁽¹⁾

Total Taxable Assessed Valuations:

<u>Years Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	\$ 136,384,222	\$ 140,820,708	\$ 143,379,147	\$ 143,157,625	\$ 143,628,299

Full Valuation Computed Using Regular State Equalization Rates:

<u>Years Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	\$ 296,090,702	\$ 307,797,965	\$ 307,627,254	\$ 305,713,896	\$ 309,417,681

Full Valuation Computed Using Special State Equalization Ratios:

<u>Years Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	\$ 295,781,808	\$ 299,996,403	\$ 306,525,732	\$ 307,319,715	\$ 308,920,839

⁽¹⁾ Please refer to “APPENDIX-C” for greater detail of assessed values, equalization ratios and calculation of full value. Special State equalization ratios are used solely for purposes of computing the School District's constitutional debt limit.

Tax Rate Per \$1,000 (Assessed)

<u>Years Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City of:					
Little Falls	\$ 141.47	\$ 139.99	\$ 140.39	\$ 141.27	\$ 139.62
Towns of:					
Danube	31.79	32.18	33.83	34.75	35.26
Fairfield	34.51	35.00	35.10	36.22	36.74
Herkimer	30.10	29.78	29.87	30.06	29.83
Little Falls	39.03	37.83	37.94	37.67	37.73
Manheim	40.42	41.17	41.29	40.36	41.68
Stark	48.57	46.66	47.43	47.64	48.23

Tax Collection Procedure

Tax payments are due September 1 of each year. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged for the next 30 days. On November 1 uncollected taxes are returnable to the County for collection. The School District receives this amount from the County prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by the County.

Tax Levy and Tax Collection Record

<u>Years Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy	\$ 8,377,773	\$ 8,449,553	\$ 8,637,397	\$ 8,637,397	\$ 8,637,397
Amount Uncollected	806,820	1,002,102	803,703	1,049,846	888,299
% Uncollected ⁽¹⁾	9.63%	11.86%	12.00%	8.51%	10.2%

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

Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes & Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2013-2014	\$ 20,494,916	\$ 8,307,313	40.53%
2014-2015	21,360,714	8,489,725	39.74
2015-2016	21,708,960	8,575,983	39.50
2016-2017	22,316,803	8,786,552	39.37
2017-2018	21,711,976	8,785,922	40.47
2018-2019 (Unaudited)	22,485,657	8,637,397	38.41
2019-2020 (Budgeted)	22,799,520	8,786,172	38.53

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

Ten Larger Taxpayers – 2018 Assessment Roll for 2018-19 District Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Full Valuation</u>
National Grid	Utility	\$ 22,550,389
Iroquois Gas Co.	Utility	9,199,194
Little Falls Hydroelectric	Energy	7,843,500
CSX Transportation, Inc.	Transportation	5,999,290
Manheim CNG Center, LLC	Energy	5,882,353
Burrows Paper Corp.	Manufacturing	4,816,000
575 East Mill Street, LLC	Manufacturer	4,199,500
YEE Group, LLC	Commercial	2,847,350
MMM Holdings	Manufacturing	2,578,650
Riverside Industrial, LLC	Manufacturer	2,313,750

The larger taxpayers listed above have a total estimated full valuation of \$68,229,976 which represents 22.05% of the tax base of the School District.

The District experiences the impact of tax certiorari filings on a regular basis for which the District has a tax certiorari reserve to cover. At this time, the level of tax certiorari filings are within acceptable norms and are not anticipated or believed to have a material impact on the District's finances.

Source: District Tax Rolls.

STAR – School Tax Exemption

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

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

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

<u>Municipality</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
City of Little Falls	\$ 13,740	\$ 6,000	4/9/2019
Town of Danube	54,410	23,760	4/9/2019
Town of Fairfield	52,210	22,800	4/9/2019
Town of Herkimer	64,300	28,080	4/9/2019
Town of Little Falls	50,840	22,200	4/9/2019
Town of Manheim	46,030	20,100	4/9/2019
Town of Stark	39,780	17,370	4/9/2019

\$1,612,263 of the District's \$8,637,397 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 \$1,625,441 of the District's \$8,786,172 school tax levy for the 2019-2020 fiscal year is expected to be exempted by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State by January, 2020.

Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

The total valuation of the School District is estimated to be categorized as follows: Residential-6%, Commercial-40% and Other – 54%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the School District is approximately \$4,448 including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

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

Tax Levy Limitation Law requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

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

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

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

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

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015, a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016, the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also "State Aid" for a discussion of the New Yorkers for Students' Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provides a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved "government efficiency plan" which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance within the Tax Levy Limitation Law.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

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

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

Statutory Procedure

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

Debt Limit. The District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

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

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

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

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

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

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

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

Statutory Law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

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.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 6,809,030	\$ 5,519,797	\$ 3,962,682	\$ 3,565,462	\$ 3,009,386
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,600,000</u>
Total Debt Outstanding	<u>\$ 6,809,030</u>	<u>\$ 5,519,797</u>	<u>\$ 3,962,682</u>	<u>\$ 3,565,462</u>	<u>\$ 4,609,386</u>

Details of Outstanding Indebtedness

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

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2019-2025	\$ 3,009,386
<u>Bond Anticipation Notes</u>		
Various Capital Improvements	February 7, 2020	<u>1,600,000</u>
	Total Indebtedness	<u>\$ 4,609,386</u>

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

Debt Statement Summary

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

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios
Five-Year Average Full Valuation of Taxable Real Property ⁽¹⁾	\$ 304,129,500	\$ 303,708,899
Debt Limit 5% thereof	15,206,475	15,185,445
<u>Inclusions:</u>		
Bonds ⁽²⁾	\$ 3,009,386	3,009,386
Bond Anticipation Notes	1,600,000	1,600,000
Revenue/Tax Anticipation Notes.....	<u>0</u>	<u>0</u>
Total Inclusions	\$ 4,609,386	\$ 4,609,386
<u>Exclusions:</u>		
Appropriations	\$ 553,495	\$ 553,495
Revenue/Tax Anticipation Notes.....	<u>0</u>	<u>0</u>
Total Exclusions.....	\$ 553,495	\$ 553,495
Total Net Indebtedness ^{(3) (4)}	\$ 4,055,891	\$ 4,055,891
Net Debt-Contracting Margin ⁽⁵⁾	\$ 11,150,484	\$ 11,129,554
The percent of debt contracting power exhausted is	26.67%	26.71%

- (1) The District's constitutional debt limit has been computed using special equalization ratios established by the State Office of Real Property Services pursuant to Art-12-B of the Real Property Tax Law. Conventional State equalization rates are also established by said Office of Real Property Services, and are used for all other purposes. See "TAX INFORMATION - Taxable Assessed Valuations" herein or "APPENDIX – C" attached hereto.
- (2) Includes \$2,770,000 serial bonds expected to be refunded with the proceeds of the Bonds.
- (3) Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the District receives aid on existing bonded debt. The District, as a school district located in a city, may not under Section 121.20 of the Local Finance Law exclude from gross indebtedness estimated State aid for School building purposes. As noted above, the District receives New York State debt service building aid in an amount approximating 95.5% of its outstanding debt. 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.
- (4) The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the constitutional debt limit of the District.
- (5) The School District has satisfied the requirements contained in Section 104.00 of the Local Finance Law in order to exceed its debt limit to provide for the issuance of the serial bonds.

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, qualified voters of the District authorized a \$29,900,000 capital project to pay the cost of certain reconstruction, renovation, and new construction projects to Benton Hall Academy, the Middle/High School and the District Bus Garage Facility. On February 7, 2019 the district issued \$1,600,000 bond anticipation notes as the first borrowing for this project to finance architect fees. Future borrowings for this project will be pursuant to State approval and construction cash flow needs. Construction is projected to begin in the 2020-2021 school year.

On May 15, 2018, qualified voters of the District authorized a \$525,000 capital project to pay the cost of an athletic facilities lighting project. Future borrowings for this project will be pursuant to State approval and construction cash flow needs. Construction is projected to begin in summer 2020.

On May 21, 2019 the qualified voters of the District authorized the issuance of \$114,000 serial bonds for the purchase of buses.

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

Cash Flow Borrowings

The School District has not issued tax and/or revenue anticipation notes in the past five fiscal years, and does not plan on issuing any 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.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Herkimer	12/31/2017	\$ 6,260,000	\$ -	\$ 6,260,000	6.60%	\$ 413,160
City of:						
Little Falls	12/31/2017	7,527,305	3,805,470	3,721,835	100.00%	3,721,835
Town of:						
Danube	12/31/2017	74,000	-	74,000	64.48%	47,715
Fairfield	12/31/2017	222,000	-	222,000	3.20%	7,104
Herkimer	12/31/2017	813,600	-	813,600	0.60%	4,882
Little Falls	12/31/2017	30,049	30,049	-	71.58%	-
Manheim	12/31/2017	30,000	-	30,000	24.82%	7,446
Stark	12/31/2017	593,168	539,168	54,000	1.53%	826
					Total:	<u>\$ 4,202,968</u>

⁽¹⁾ Bonds and bond anticipation notes. 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 2018 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 2017.

Debt Ratios

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

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 4,055,891	\$ 602.75	1.31%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	8,258,859	1,227.35	2.67

^(a) The current estimated population of the District is 6,729. (See "THE SCHOOL DISTRICT – Population" herein.)

^(b) The District's full value of taxable real estate for the 2018-19 fiscal year using regular state equalization rates is \$309,417,681. (See "TAX INFORMATION – Taxable Assessed Valuations" herein or "APPENDIX – C" attached hereto.)

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

^(d) Estimated net overlapping indebtedness is \$4,202,968. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds. 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 Bond 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 Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

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 Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. 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 Bonds 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 Bonds. 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 Bonds, 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” herein.

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 Bonds. 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 Bonds 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 Bonds 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 Bonds, or the tax status of interest on the Bonds. See “TAX MATTERS” herein.

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

The Bonds. In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, under existing law, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations. Further, (a) the District or another Person, by failing to comply with the requirements contained in the Internal Revenue Code of 1986, as amended (the “Code”), may cause interest on the Bonds to become subject to federal income taxation from the date of issuance thereof, (b) interest on the Bonds is not an “item of tax preference” for purposes of the individual alternative minimum tax imposed by the Code, and (c) interest on the Bonds is included in the tax base for purposes of computing the branch profits tax under Section 884 of the Code.

Tax Requirements. In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Bonds from gross income for federal income tax purposes may be dependent, among other things, on compliance with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations thereunder (collectively, the “Tax Requirements”). In the opinion of Bond Counsel, the District’s tax certificates with respect to the Bonds establish requirements and procedures, compliance with which will satisfy the Tax Requirements.

In the District’s tax certificates with respect to the Bonds, the District has covenanted to comply with the Tax Requirements, and refrain from taking any action which would cause the interest on the Bonds to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes from the date of issuance of the Bonds. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bonds Bank Qualified. The Bonds will be designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

Other Impacts. Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Bond before maturity within the United States. Backup withholding may apply to holders of the Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service (the “Service”).

Future Legislation. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government.

No representation is made as to the likelihood of such proposals being enacted or, if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Bonds or the tax consequences of ownership of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices set indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

New York State Taxes. In the opinion of Bond Counsel, interest on the Bonds is exempt, under existing statutes, from New York State and New York City personal income taxes.

Miscellaneous. All quotations from and summaries and explanations of provisions of laws do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Bonds regarding the tax status of the interest thereon in the event of an audit examination by the Service.

ALL PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE BONDS.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the final approving legal opinion of Hodgson Russ LLP, Bond Counsel of Albany, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Bonds 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 District, all the taxable property within which is subject to the levy of *ad valorem* taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York) provided that the enforceability (but not the validity) of the Bonds (a) may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal) affecting the enforcement of creditors' rights and (b) may be subject to the exercise of judicial discretion in appropriate cases, (ii) the District has the power to comply with its covenants included in its tax certificate with respect to the Bonds relating to compliance with the Code as it relates to the Bonds; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal) affecting the enforcement of creditors' rights; and (iii) assuming that the District complies with such covenants, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Bonds is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Code. Interest on the Bonds may be subject to a branch profits tax of up to 30% when owned by certain foreign corporations. Furthermore, interest on the Bonds may be subject to a tax at ordinary income rates when owned by "S Corporations" in certain cases. Interest on the Bonds 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 will express no opinion regarding other federal income tax consequences arising with respect to the Bonds.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein 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 District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Bonds as the same respectively become due and payable; (iv) reference should be made to this Official Statement for factual information which, in the judgment of the District, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Bonds, 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.

Certain legal matters will be passed on for the Underwriter by its Counsel, Roemer Wallens Gold & Mineaux LLP, Albany, New York.

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 Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the District.

UNDERWRITING

The Bonds are being purchased by Roosevelt & Cross Incorporated (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$ _____ (being the par amount of the Bonds plus a net original issue premium of \$ _____, less an underwriter's discount for the transaction of \$ _____). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

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 a Undertaking to Provide Continuing Disclosure, the form of which is attached hereto as "APPENDIX – D".

The District has established procedures to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System ("EMMA").

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their rating of "A+" with a stable outlook to the 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 Bonds.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds. The advice on the plan of financing and the structuring of the Bonds 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. The fees to be paid by the District to Fiscal Advisors are partially contingent on the successful closing of the Bonds.

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 Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds 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.

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 Bonds.

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 Bonds.

Hodgson Russ LLP, Albany, 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 Bonds, 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 Bonds, 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 Bonds 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 and www.fiscaladvisorsauction.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. Ashraf Allam, Director of Business Operations and Technology, 15 Petrie Street, Little Falls, New York telephone (315) 823-1470, fax (315) 823-0321, email aallam@lfcsd.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com and www.fiscaladvisorsauction.com.

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

Dated: July ____, 2019

KRISTINA M. HAMEISTER
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

APPENDIX - A
City School District of the City of Little Falls

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 1,300,489	\$ 1,850,120	\$ 2,213,198	\$ 2,484,122	\$ 2,294,093
Restricted Cash	-	-	-	73,776	225,000
Due from Other Funds	168,681	218,214	325,799	577,645	283,234
Due from Fiduciary Funds	-	-	-	698	28
State and Federal Aid Receivable	715,209	845,469	854,350	869,171	1,318,248
Other Receivables	19,182	29,953	39,162	71,257	81,896
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 2,203,561</u></u>	<u><u>\$ 2,943,756</u></u>	<u><u>\$ 3,432,509</u></u>	<u><u>\$ 4,076,669</u></u>	<u><u>\$ 4,202,499</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 198,474	\$ 137,018	\$ 220,222	\$ 90,855	\$ 322,762
Accrued Liabilities	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	-
Due to Other Funds	26,469	-	-	73,776	26,179
Due to Teachers' Retirement System	1,059,800	1,203,000	925,377	855,082	98,666
Due to Employees' Retirement System	133,048	133,048	105,680	94,590	781,718
Overpayments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u><u>\$ 1,417,791</u></u>	<u><u>\$ 1,473,066</u></u>	<u><u>\$ 1,251,279</u></u>	<u><u>\$ 1,114,303</u></u>	<u><u>\$ 1,229,325</u></u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 225,000
Assigned	-	48,773	146,861	280,858	510,368
Unassigned	785,770	1,421,917	2,034,369	2,681,508	2,237,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u><u>785,770</u></u>	<u><u>1,470,690</u></u>	<u><u>2,181,230</u></u>	<u><u>2,962,366</u></u>	<u><u>2,973,174</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 2,203,561</u></u>	<u><u>\$ 2,943,756</u></u>	<u><u>\$ 3,432,509</u></u>	<u><u>\$ 4,076,669</u></u>	<u><u>\$ 4,202,499</u></u>

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 6,427,577	\$ 6,625,914	\$ 6,716,528	\$ 6,961,961	\$ 6,999,454
Real Property Tax Items	1,879,736	1,863,811	1,859,455	1,824,591	1,786,468
Charges for Services	39,330	122,691	130,293	110,621	132,927
Use of Money & Property	55,828	44,240	26,653	26,645	52,404
Sale of Property and					
Compensation for Loss	19,389	9,578	2,063	4,876	277
Miscellaneous	296,545	251,320	354,484	278,269	352,003
Revenues from State Sources	11,667,918	12,360,722	12,534,081	13,034,888	12,325,104
Revenues from Federal Sources	108,593	82,438	85,403	74,952	63,339
Total Revenues	<u>\$ 20,494,916</u>	<u>\$ 21,360,714</u>	<u>\$ 21,708,960</u>	<u>\$ 22,316,803</u>	<u>\$ 21,711,976</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 20,494,916</u>	<u>\$ 21,360,714</u>	<u>\$ 21,708,960</u>	<u>\$ 22,316,803</u>	<u>\$ 21,711,976</u>
<u>EXPENDITURES</u>					
General Support	\$ 2,642,606	\$ 2,679,341	\$ 2,869,143	\$ 2,976,533	\$ 3,329,852
Instruction	8,704,285	9,054,004	9,324,906	9,637,199	10,597,943
Pupil Transportation	1,004,196	1,024,713	1,017,417	1,056,048	1,044,608
Community Services	-	-	-	-	-
Employee Benefits	5,596,098	6,155,676	6,016,459	6,018,869	6,039,964
Debt Service	3,113,433	1,745,876	1,757,634	1,820,167	670,951
Total Expenditures	<u>\$ 21,060,618</u>	<u>\$ 20,659,610</u>	<u>\$ 20,985,559</u>	<u>\$ 21,508,816</u>	<u>\$ 21,683,318</u>
Other Uses:					
Interfund Transfers	<u>16,356</u>	<u>16,184</u>	<u>12,861</u>	<u>26,851</u>	<u>17,850</u>
Total Expenditures and Other Uses	<u>\$ 21,076,974</u>	<u>\$ 20,675,794</u>	<u>\$ 20,998,420</u>	<u>\$ 21,535,667</u>	<u>\$ 21,701,168</u>
Excess (Deficit) Revenues Over					
Expenditures	<u>(582,058)</u>	<u>684,920</u>	<u>710,540</u>	<u>781,136</u>	<u>10,808</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	1,367,828	785,770	1,470,690	2,181,230	2,962,366
Prior Period Adjustments (net) (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 785,770</u>	<u>\$ 1,470,690</u>	<u>\$ 2,181,230</u>	<u>\$ 2,962,366</u>	<u>\$ 2,973,174</u>

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2018			2019	2020
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
<u>REVENUES</u>					
Real Property Taxes	\$ 8,637,397	\$ 8,637,397	\$ 6,999,454	\$ 8,637,397	\$ 8,786,172
Real Property Tax Items	122,000	122,000	1,786,468	122,000	122,000
Charges for Services	141,500	141,500	132,927	141,500	141,500
Use of Money & Property	51,500	51,500	52,404	51,500	26,500
Sale of Property and Compensation for Loss	-	-	277	-	-
Miscellaneous	26,000	142,268	352,003	243,440	201,000
Revenues from State Sources	12,297,685	12,297,685	12,325,104	12,729,452	13,212,348
Revenues from Federal Sources	50,000	50,000	63,339	50,000	60,000
Total Revenues	<u>\$ 21,326,082</u>	<u>\$ 21,442,350</u>	<u>\$ 21,711,976</u>	<u>\$ 21,975,289</u>	<u>\$ 22,549,520</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 21,326,082</u>	<u>\$ 21,442,350</u>	<u>\$ 21,711,976</u>	<u>\$ 21,975,289</u>	<u>\$ 22,549,520</u>
<u>EXPENDITURES</u>					
General Support	\$ 3,252,756	\$ 3,331,566	\$ 3,329,852	\$ 3,687,935	\$ 3,702,912
Instruction	9,565,614	10,605,647	10,597,943	9,827,697	9,790,531
Pupil Transportation	1,071,387	1,046,912	1,044,608	1,064,970	1,399,057
Community Services	-	-	-	-	-
Employee Benefits	7,041,229	6,045,129	6,039,964	7,208,974	7,238,322
Debt Service	675,954	675,954	670,951	696,081	668,698
Total Expenditures	<u>\$ 21,606,940</u>	<u>\$ 21,705,208</u>	<u>\$ 21,683,318</u>	<u>\$ 22,485,657</u>	<u>\$ 22,799,520</u>
Other Uses:					
Interfund Transfers	<u>-</u>	<u>18,000</u>	<u>17,850</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 21,606,940</u>	<u>\$ 21,723,208</u>	<u>\$ 21,701,168</u>	<u>\$ 22,485,657</u>	<u>\$ 22,799,520</u>
Excess (Deficit) Revenues Over Expenditures	<u>(280,858)</u>	<u>(280,858)</u>	<u>10,808</u>	<u>(510,368)</u>	<u>(250,000)</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	280,858	280,858	2,962,366	510,368	250,000
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,973,174</u>	<u>\$ -</u>	<u>\$ -</u>

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

APPENDIX - B
City School District of the City of Little Falls

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	PRIOR TO REFUNDING BONDS			Less: Refunded Bonds Debt Service	REFUNDING BONDS			Total New Debt Service
	Principal	Interest	Total		Principal	Interest	Total	
2020	\$ 553,495	\$ 115,202.94	\$ 668,698.08	\$ 568,462.50	\$ -	\$ -	\$ -	\$ 100,235.58
2021	558,728	95,319.24	654,047.38	566,212.50	-	-	-	87,834.88
2022	532,519	75,080.60	607,599.32	568,400.00	-	-	-	39,199.32
2023	539,644	54,240.74	593,884.44	568,600.00	-	-	-	25,284.44
2024	530,000	33,000.00	563,000.00	563,000.00	-	-	-	-
2025	295,000	11,800.00	306,800.00	306,800.00	-	-	-	-
TOTALS	\$ 3,009,386	\$ 384,643.52	\$ 3,394,029.22	\$ 3,141,475.00	\$ -	\$ -	\$ -	\$ 252,554.22

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2010 School District Improvements			2014 Buses			2015 Track Repairs & Resurfacing		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 460,000	\$ 108,463	\$ 568,463	\$ 9,767	\$ 208	\$ 9,975	46,209	2,773	48,982
2021	475,000	91,213	566,213	-	-	-	46,209	1,386	47,596
2022	495,000	73,400	568,400	-	-	-	-	-	-
2023	515,000	53,600	568,600	-	-	-	-	-	-
2024	530,000	33,000	563,000	-	-	-			
2025	295,000	11,800	306,800	-	-	-			
TOTALS	\$ 2,770,000	\$ 371,475	\$ 3,141,475	\$ 9,767	\$ 208	\$ 9,975	\$ 92,419	\$ 4,159	\$ 96,578

Fiscal Year Ending June 30th	2016 Buses			2017 Buses		
	Principal	Interest	Total	Principal	Interest	Total
2020	12,875	1,197	14,072	24,644	2,563	27,207
2021	12,875	797	13,672	24,644	1,922	26,566
2022	12,875	399	13,274	24,644	1,281	25,925
2023	-	-	-	24,644	641	25,284
TOTALS	\$ 38,624	\$ 2,394	\$ 41,018	\$ 98,575	\$ 6,407	\$ 104,982

COMPUTATION OF FULL VALUATION

Using Regular Equalization Rates

Fiscal Year Ending June 30:		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assessed Valuation</u>						
City of:	Little Falls	\$ 31,807,974	\$ 31,378,562	\$ 31,523,415	\$ 31,435,247	\$ 31,189,343
Towns of:	Danube	29,845,088	30,148,153	30,243,039	30,153,555	29,751,937
	Fairfield	2,378,801	2,380,904	2,384,900	2,396,943	2,382,924
	Herkimer	2,270,597	2,287,564	2,367,328	2,333,581	3,144,793
	Little Falls	41,340,417	41,781,231	42,324,428	42,182,878	42,296,334
	Manheim	28,324,257	32,432,000	34,125,423	34,107,260	34,336,531
	Stark	417,088	412,294	410,614	548,161	526,437
Total Assessed Valuation		\$ 136,384,222	\$ 140,820,708	\$ 143,379,147	\$ 143,157,625	\$ 143,628,299
<u>State Equalization Rates</u>						
City of:	Little Falls	20.00%	20.00%	20.00%	20.00%	20.00%
Towns of:	Danube	89.00%	87.00%	83.00%	81.30%	79.00%
	Fairfield	82.00%	80.00%	80.00%	78.00%	76.00%
	Herkimer	94.00%	94.00%	94.00%	94.00%	94.00%
	Little Falls	72.50%	74.00%	74.00%	75.00%	74.00%
	Manheim	70.00%	68.00%	68.00%	70.00%	67.00%
	Stark	58.25%	60.00%	59.20%	59.30%	57.00%
<u>Full Valuation</u>						
City of:	Little Falls	\$ 159,039,870	\$ 156,892,810	\$ 157,617,075	\$ 157,176,235	\$ 155,946,715
Towns of:	Danube	33,533,807	34,653,049	36,437,396	37,089,244	37,660,680
	Fairfield	2,900,977	2,976,130	2,981,125	3,073,004	3,135,426
	Herkimer	2,415,529	2,433,579	2,518,434	2,482,533	3,345,524
	Little Falls	57,021,265	56,461,123	57,195,173	56,243,837	57,157,208
	Manheim	40,463,224	47,694,118	50,184,446	48,724,657	51,248,554
	Stark	716,031	687,157	693,605	924,386	923,574
Total Full Valuation		\$ 296,090,702	\$ 301,797,965	\$ 307,627,254	\$ 305,713,896	\$ 309,417,681

COMPUTATION OF FULL VALUATION

Using Special Equalization Ratios

Fiscal Year Ending June 30:		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assessed Valuation</u>						
City of:	Little Falls	\$ 31,807,974	\$ 31,378,562	\$ 31,523,415	\$ 31,435,247	\$ 31,189,343
Towns of:	Danube	29,845,088	30,148,153	30,243,039	30,153,555	29,751,937
	Fairfield	2,378,801	2,380,904	2,384,900	2,396,943	2,382,924
	Herkimer	2,270,597	2,287,564	2,367,328	2,333,581	3,144,793
	Little Falls	41,340,417	41,781,231	42,324,428	42,182,878	42,296,334
	Manheim	28,324,257	32,432,000	34,125,423	34,107,260	34,336,531
	Stark	<u>417,088</u>	<u>412,294</u>	<u>410,614</u>	<u>548,161</u>	<u>526,437</u>
Total Assessed Valuation		\$ 136,384,222	\$ 140,820,708	\$ 143,379,147	\$ 143,157,625	\$ 143,628,299
<u>Special Equalization Ratios</u>						
City of:	Little Falls	20.41%	20.25%	20.47%	20.39%	20.16%
Towns of:	Danube	81.79%	80.59%	78.20%	76.06%	74.55%
	Fairfield	79.60%	77.36%	75.39%	74.80%	73.88%
	Herkimer	96.12%	95.67%	94.85%	94.69%	94.49%
	Little Falls	74.32%	75.84%	74.88%	75.56%	76.54%
	Manheim	67.82%	69.94%	66.96%	66.81%	66.60%
	Stark	58.96%	58.90%	58.04%	57.20%	56.44%
<u>Full Valuation</u>						
City of:	Little Falls	\$ 155,845,047	\$ 154,955,862	\$ 153,998,119	\$ 154,169,922	\$ 154,709,043
Towns of:	Danube	36,489,899	37,409,298	38,673,963	39,644,432	39,908,702
	Fairfield	2,988,443	3,077,694	3,163,417	3,204,469	3,225,398
	Herkimer	2,362,252	2,391,099	2,495,865	2,464,443	3,328,175
	Little Falls	55,624,888	55,091,286	56,523,007	55,826,996	55,260,431
	Manheim	41,763,871	46,371,175	50,963,893	51,051,130	51,556,353
	Stark	<u>707,408</u>	<u>699,990</u>	<u>707,467</u>	<u>958,323</u>	<u>932,737</u>
Total Full Valuation		\$ 295,781,808	\$ 299,996,403	\$ 306,525,732	\$ 307,319,715	\$ 308,920,839

FORM UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Financial Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the City School District of the City of Little Falls, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of August 7, 2019.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Security” shall mean the Issuer’s **\$2,655,000⁽¹⁾ School District Refunding (Serial) Bonds, 2019**, dated August 7, 2019, maturing in various principal amounts on April 15 in each of the years 2020 to 2025, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Security, to provide or cause to be provided either directly or through Fiscal Advisors & Marketing, Inc., 120 Walton Street, Suite 600 Syracuse, New York, to EMMA, or any successor thereto, in an electronic format as prescribed by the MSRB

- (i) (A) no later than March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, the Annual Financial Information relating to such fiscal year, and (B) no later than March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, the Audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to EMMA within sixty (60) days after they become available and in no event later than June 30 after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and
- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Security:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;

⁽¹⁾ Preliminary, subject to change.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) 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 an obligated person 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 obligated person, 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 obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

- (iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Financial Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Financial Information. (a) The required Annual Financial Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Security under the headings "THE SCHOOL DISTRICT," "TAX INFORMATION," "STATUS OF INDEBTEDNESS," "LITIGATION," and all Appendices (other than "APPENDIX – D" and other than any related to bond insurance); which Annual Financial Information may, but it is not required to, include audited financial statements.

(b) All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which are (i) available to the public on EMMA or (ii) filed with the Securities and Exchange Commission. If such a document is a final official statement, it also must be available on EMMA.

(c) Annual Financial Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's annual financial report filed with the New York State Education Department in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Security.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any Security Holders, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. (a) This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with its terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of the Security, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of August 7, 2019.

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

By: /s/
Board of Education President

**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, 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.

LITTLE FALLS CITY SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds to the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-45
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund	46
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund	47-47a
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	48-48a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans.....	49-49a
Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability.....	50
Notes to Required Supplementary Information	51-54
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	55
Schedule of Project Expenditures - Capital Projects Fund	56-56a
Net Investment in Capital Assets	57
Report Required Under <i>Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i>	58-59

LITTLE FALLS CITY SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	60-61
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	64



INDEPENDENT AUDITOR'S REPORT

Board of Education
Little Falls City School District
Little Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the 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 of material misstatement.

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

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

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

Opinions

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

Emphasis of a Matter

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," which resulted in a restatement of net position as of June 30, 2017. See Notes 11 and 16. 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, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability and related notes on pages 4-4j and 46-54 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 School District's basic financial statements. The supplementary information on pages 55-57 is presented for purposes of additional analysis 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 supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the 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 September 27, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 27, 2018

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of Little Falls City School District's (the School District) financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and Governmental Fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement requires the School District to record a net obligation of \$57,021,226.
- The School District's records their proportionate share of the net pension (asset) liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." The effect of this statement is to record a net obligation of \$3,414,976.
- The School District's total revenues decreased by (4.6) % to \$23,213,947, of which \$21,711,976 was in the General Fund. This decrease was primarily attributable to decreases in basic aid.
- General Fund revenues were greater than budgeted by \$269,626. Other revenue sources were \$202,343 more than budgeted due to unanticipated BOCES and other refunds. Appropriations were under expended by \$22,040, primarily attributable to lower than expected health insurance costs and lower than anticipated energy costs.
- State and federal sources comprised 58.5% of total revenue, compared to 61.0% last year, while the annual tax levy, not including other property tax items, represented approximately 30.0% of receipts; consistent with 29.0% in 2016-2017. Remaining revenue was obtained from items such as investment earnings, charges for services, other property tax items, and refunds of prior year's expenses.
- Outstanding debt of the School District, in the amount of \$3,565,462, was down \$(397,219) from 2017. This was the result of repayment of principal on long term debt.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

- Over the past several years the School District has actively pursued, as one of its financial goals, a “healthy” fund balance. As of June 30, 2018, the unassigned fund balance in the General Fund stands at \$2,237,806, or 9.95% of the subsequent year’s budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District’s overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District’s operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District’s most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year, a Schedule of Funding Progress related to the School District’s unfunded actuarial liability for postemployment benefits and information related to the School District pension obligations.

District-wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the School District’s net position and how it changed.

Net position - the difference between the School District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the School District’s financial health or position.

Over time, increases or decreases in the School District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities. In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2018 decreased by \$(1,569,033). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<i>Current assets</i>	\$ 4,105,176	\$ 4,066,294	\$ (38,882)
<i>Noncurrent assets</i>	-	540,876	540,876
<i>Capital assets, net</i>	20,040,706	19,064,625	(976,081)
<i>Total Assets</i>	24,145,882	23,671,795	(474,087)
<i>Other postemployment benefits</i>	1,507,240	1,520,477	13,237
<i>Pensions</i>	4,925,997	5,039,702	113,705
<i>Total Deferred Outflows of Resources</i>	6,433,237	6,560,179	126,942
<i>Current liabilities</i>	1,653,577	1,852,154	198,577
<i>Noncurrent liabilities</i>	63,133,097	56,982,539	(6,150,558)
<i>Total Liabilities</i>	64,786,674	58,834,693	(5,951,981)
<i>Other postemployment benefits</i>	-	5,765,029	5,765,029
<i>Pensions</i>	285,323	1,694,163	1,408,840
<i>Total Deferred Inflows of Resources</i>	285,323	7,459,192	7,173,869
<i>Net investment in capital assets</i>	16,078,025	15,499,163	(578,862)
<i>Restricted</i>	-	314,858	314,858
<i>Unrestricted</i>	(50,570,903)	(51,875,932)	(1,305,029)
<i>Total Net Position</i>	\$ (34,492,878)	\$ (36,061,911)	\$ (1,569,033)

The decrease in current assets stems from a decrease in unrestricted cash, which was offset by the increase in state and federal receivables.

\$315,876 of the increase in noncurrent assets and changes in deferred inflows and outflows of resources are a result of changes in the net liability for the School District's other postemployment benefits and proportionate share of New York State retirement systems' liability (asset). As noted above, the School District created a Retirement Contribution Reserve in the amount of \$225,000 and transferred funds into a restricted bank account, which is classified as noncurrent.

There was minimal capital activity during the year, which led to a decrease in capital assets, net of accumulated depreciation, as depreciation expense exceeded capital outlay.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Current liabilities increased \$198,577 primarily due to timing of payments to vendors at year end offset by a decrease in the amount due to the Teachers Retirement System for the current year's contribution. Non-current liabilities decreased primarily because of a decrease of \$(4,926,294) in other postemployment benefits liability, as well as a decrease in the pension liabilities under GASB 68 of \$(895,707). These decreases were largely offset by increases in deferred inflows of resources associated with these liabilities, for a total increase in the net obligations of \$909,050. Additionally, long-term debt decreased by \$397,219.

The decrease in the net investment in capital assets stems from the decrease in capital assets offset by the repayment of capital related debt. The net effect of the School District's activities resulted in an increase in the net unrestricted (deficit) of \$(1,305,029), largely attributable to reductions in revenue and increases in long term liabilities associated with other postemployment, pension, and compensated absences liabilities.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 382,355	\$ 401,578	\$ 19,223
<i>Operating grants and contributions</i>	1,356,055	1,327,673	(28,382)
<i>Capital grants</i>	533,089	47,319	(485,770)
<i>General Revenues:</i>			
<i>Real property taxes</i>	6,961,961	6,999,454	37,493
<i>Real property tax items</i>	1,824,591	1,786,468	(38,123)
<i>Unrestricted state sources</i>	12,952,623	12,241,204	(711,419)
<i>Use of money and property</i>	26,714	52,495	25,781
<i>Other general revenues</i>	283,145	357,756	74,611
<i>Total Revenues</i>	\$ 24,320,533	\$ 23,213,947	\$ (1,106,586)
<i>PROGRAM EXPENDITURES</i>			
<i>General support</i>	4,119,968	4,120,612	644
<i>Instruction</i>	19,036,330	18,620,619	(415,711)
<i>Pupil transportation</i>	1,304,059	1,272,986	(31,073)
<i>School lunch program</i>	928,286	618,684	(309,602)
<i>Interest on debt</i>	196,934	150,079	(46,855)
<i>Total Expenditures</i>	\$ 25,585,577	\$ 24,782,980	\$ (802,597)
<i>INCREASE IN NET POSITION</i>	\$ (1,265,044)	\$ (1,569,033)	\$ (303,989)

LITTLE FALLS CITY SCHOOL DISTRICT

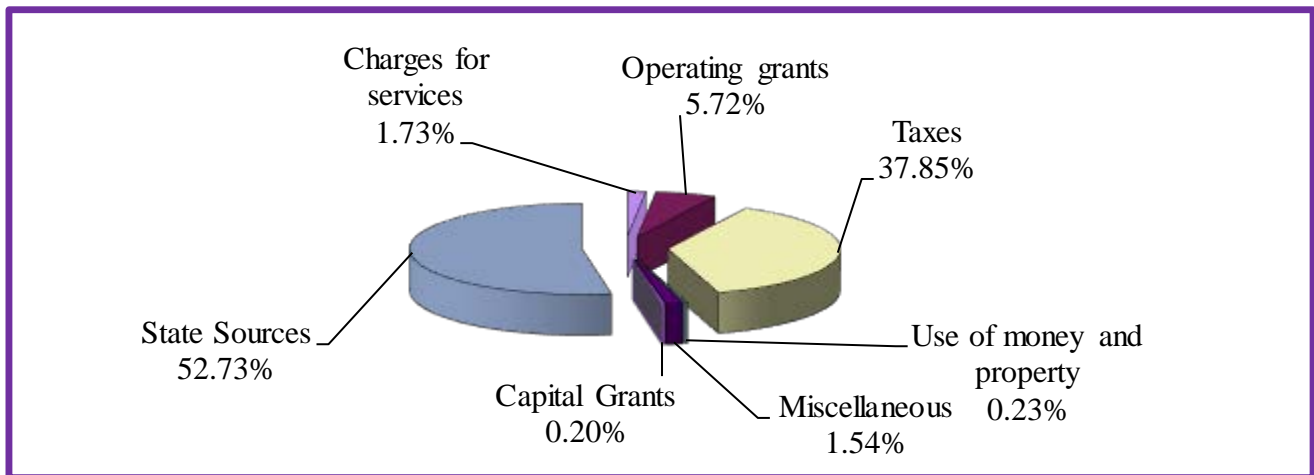
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total revenues for the School District's Governmental Activities decreased by (4.6)%, while total expenditures decreased (3.1)%. State aid, reported in unrestricted State sources, showed the largest decrease in the amount of \$(711,419). Capital grants decreased because most of the state funding for the SMART schools project occurred in 2017.

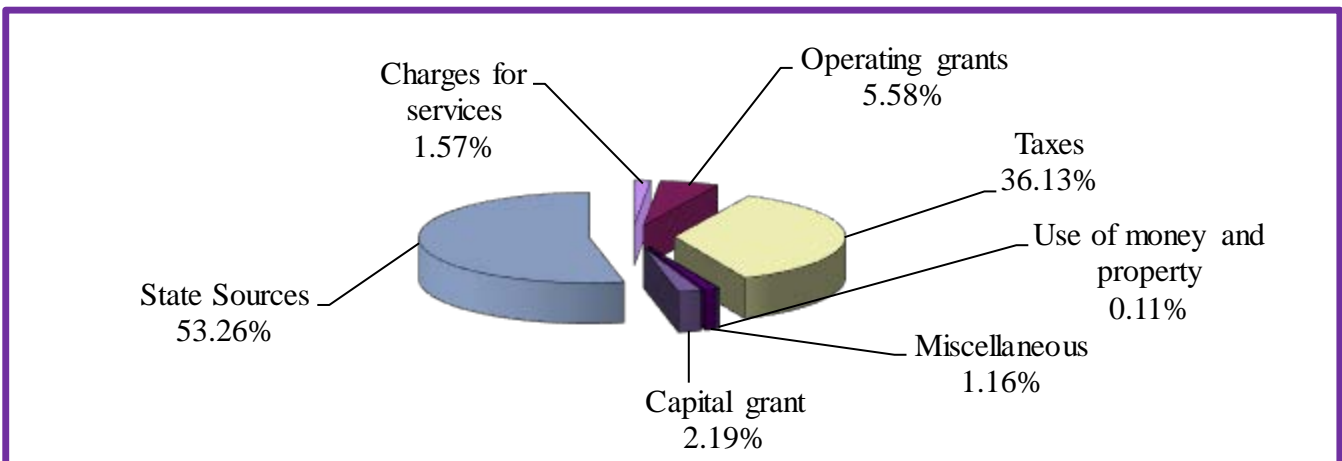
Expenditures decreased \$(802,597) compared to the prior year, primarily because the expense related to other postemployment benefits under GASB 75 is less than the expense under GASB 45.

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

***Figure 3
Sources of Revenue for 2018***



***Figure 4
Sources of Revenue for 2017***

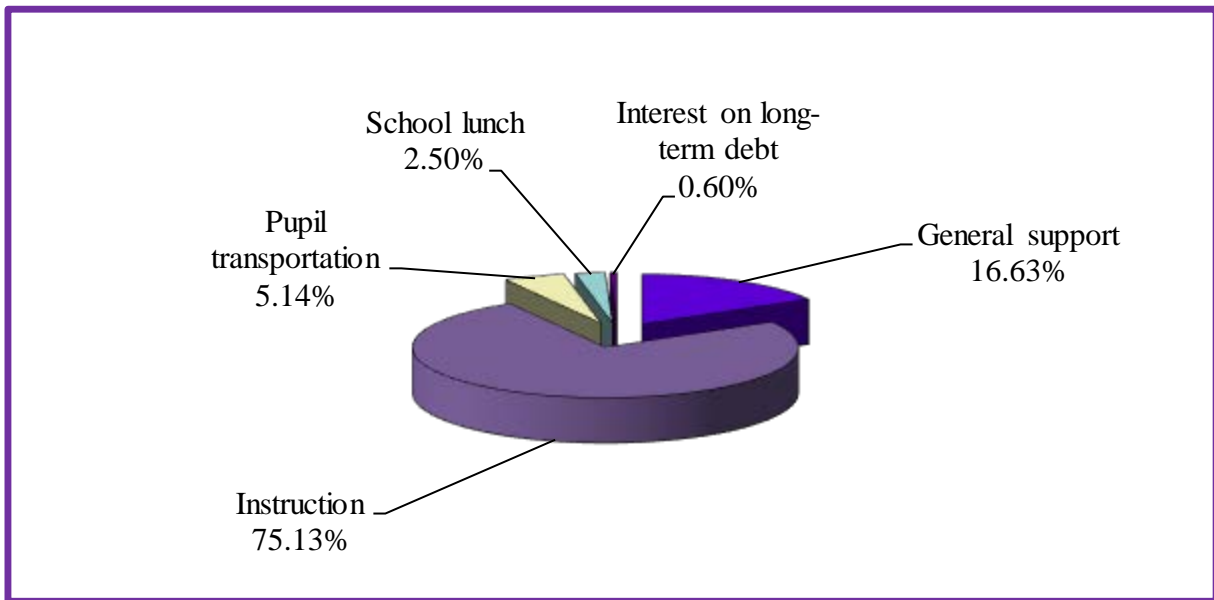


LITTLE FALLS CITY SCHOOL DISTRICT

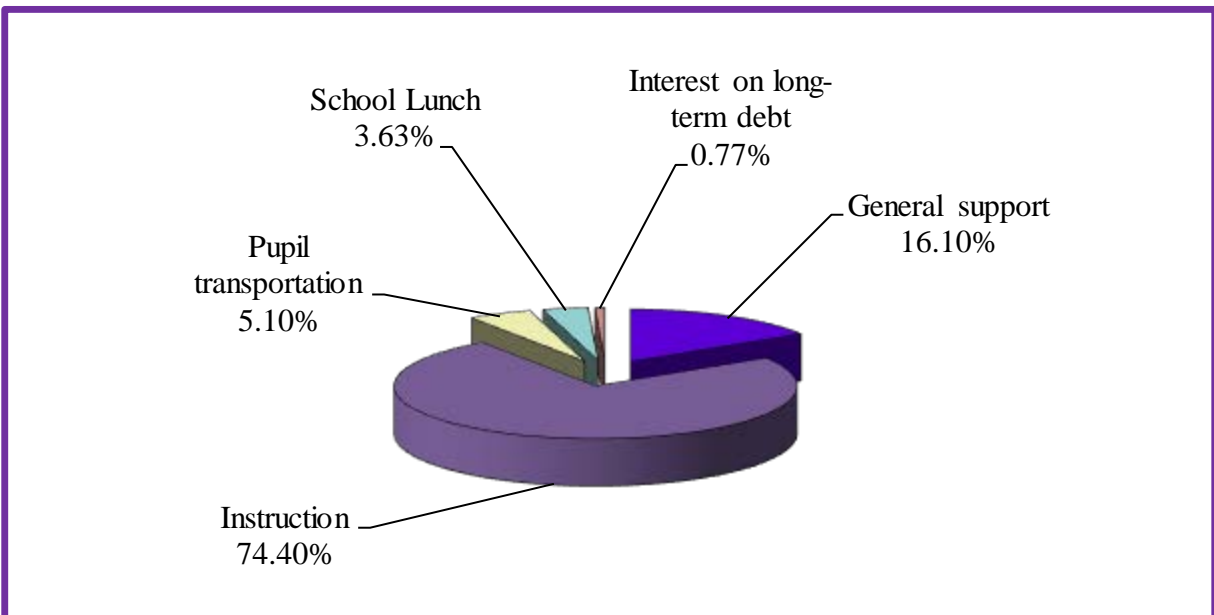
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost of each of the School District's programs for 2018 and 2017.

***Figure 5
Cost of Programs for 2018***



***Figure 6
Cost of Programs for 2017***



LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Major Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$3,054,645. In assessing the fundamental financial position of the School District, focus should be directed to the General Fund fund balance which shows a slight increase from the prior year. The deficit in the Special Aid Fund is due to State aid that will be received after the School District's availability period.

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>General Fund</i>	\$ 2,962,366	\$ 2,973,174	\$ 10,808
<i>School Lunch Fund</i>	95,808	107,747	11,939
<i>Special Aid Fund (Deficit)</i>		(26,276)	(26,276)
<i>Capital Projects Fund</i>			-
<i>Total Governmental Funds Fund Balance</i>	<i>\$ 3,058,174</i>	<i>\$ 3,054,645</i>	<i>\$ (3,529)</i>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves budgetary transfers of \$1,000 or more that revise the School District budget line items. The School District amended the budget to accept gifts and donations of \$116,268. Other than these budget amendments, budget transfers other than between functions did not increase the overall budget for the year ended June 30, 2018.

Figure 8 summarizes the original and final budgets, the actual revenue and expenditures (including encumbrances), and variances for the year ending June 30, 2018. Revenue sources were \$269,626 more than budgeted due to unanticipated BOCES and other refunds. Expenditures were slightly under budget by \$22,040.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<i>REVENUES</i>				
<i>Real property taxes</i>	\$ 8,637,397	\$ 8,637,397	\$ 6,999,454	\$ (1,637,943)
<i>Other tax items</i>	122,000	122,000	1,786,468	1,664,468
<i>State sources</i>	12,297,685	12,297,685	12,325,104	27,419
<i>Medicaid</i>	50,000	50,000	63,339	13,339
<i>Other, including financing sources</i>	219,000	335,268	537,611	202,343
<i>Total Revenues and Other Financing Sources</i>	\$ 21,326,082	\$ 21,442,350	\$ 21,711,976	\$ 269,626
<i>Designated fund balance and prior year carryover encumbrances</i>	\$ 280,858	\$ 280,858	\$	\$
<i>EXPENDITURES</i>				
<i>General support</i>	\$ 3,252,756	\$ 3,331,566	\$ 3,329,852	\$ 1,714
<i>Instruction</i>	9,565,614	10,605,647	10,597,943	7,704
<i>Pupil transportation</i>	1,071,387	1,046,912	1,044,608	2,304
<i>Employee benefits</i>	7,041,229	6,045,129	6,039,964	5,165
<i>Debt service</i>	675,954	675,954	670,951	5,003
<i>Other financing uses</i>	-	18,000	17,850	150
<i>Total Expenditures and Other Financing Uses</i>	\$ 21,606,940	\$ 21,723,208	\$ 21,701,168	\$ 22,040

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the School District had invested in a broad range of capital assets. However, during the year, there was a net decrease (including additions, deductions and depreciation expense) of \$(976,081) from last year, as a result of depreciation exceeding capital outlay. Total capital assets net of accumulated depreciation of \$(22,795,885), were \$19,064,625.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2017-2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Land</i>	\$ 477,202	\$ 477,202	\$ -
<i>Improvements other than buildings</i>	636,704	623,268	(13,436)
<i>Buildings, net</i>	18,014,443	16,801,021	(1,213,422)
<i>Equipment, net</i>	912,357	1,163,134	250,777
<i>Total</i>	\$ 20,040,706	\$ 19,064,625	\$ (976,081)

Capital asset activity for the year ended June 30, 2018 included the following:

Improvements other than buildings	\$ 62,500
Equipment	382,354
Total additions	<u>444,854</u>
Dispositions/reclassifications	5,476
Less depreciation expense	<u>(1,426,411)</u>
Net Decrease in Capital Assets	\$ <u>(976,081)</u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(397,219) in 2018, as shown in *Figure 10*. This is a direct result of the School District's continued payment of principal on outstanding serial, refunding, and statutory installment bonds and other debt, offset by the issuance of a \$123,219 installment bond for bus purchases during the year.

Total outstanding indebtedness of the School District represented 23.6% of its statutory debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2017-2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Bonds payable</i>	\$ 3,962,681	\$ 3,565,462	\$ (397,219)
<i>Total</i>	\$ 3,962,681	\$ 3,565,462	\$ (397,219)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Factors Bearing on the School District's Future

- On May 2018 district residents approved the roughly \$30 million capital project. The district will be proceeding through the design and submission stages of the project during the 2018-19 school year. The management and implementation of the capital project will be a major focus for the district for the coming year, and probably for the next three years.
- The district continues to see a gradual but steady increase in enrollment across all three buildings, with a trend of families moving into the district from neighboring districts due to the availability of affordable housing. Although the increase in population is not large, it does factor into staffing and space allocation decisions in future planning.
- The special needs population has been growing consistently over the past three years, and now constitutes almost 20% of the student body. The cost of providing services isn't always predictable, and requires building some flexibility into future budgets if the trend continues in the coming years.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Little Falls City 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, please feel free to contact Mr. Ashraf Allan, Business Manager, Little Falls City School District, at 15 Petrie Street, Little Falls, NY 13365, by phone at 315-823-1479 or via e-mail at aallam@lfcasd.org.

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash:

Unrestricted	\$ 2,295,391
Restricted	58,054

Receivables:

State and federal aid	1,607,411
Due from Fiduciary Funds	28
Other	87,521

Inventories	17,889
-------------	--------

Total Current Assets	4,066,294
-----------------------------	------------------

Noncurrent Assets

Restricted cash	225,000
-----------------	---------

Net pension asset - Proportionate share	315,876
---	---------

Capital assets, net:

Nondepreciable capital assets	477,202
Depreciable capital assets, net	18,587,423

Total Noncurrent Assets	19,605,501
--------------------------------	-------------------

Total Assets	23,671,795
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Other postemployment benefits	1,520,477
-------------------------------	-----------

Pensions	5,039,702
----------	-----------

Total Deferred Outflows of Resources	6,560,179
---	------------------

LIABILITIES

Current Liabilities

Payables:

Accounts payable	323,822
Due to other governments	214
Bond interest and matured bonds	33,096

Due to Employees' Retirement System	98,666
-------------------------------------	--------

Due to Teachers' Retirement System	781,718
------------------------------------	---------

Current portion of noncurrent liabilities:

Bonds and other debt payable	556,076
Due to employees' retirement system	58,562

Total Current Liabilities	1,852,154
----------------------------------	------------------

Noncurrent Liabilities

Bonds and other debt payable	3,009,386
Due to Employees' Retirement System	275,893
Compensated absences payable	674,147
Other postemployment benefits liability	52,776,674
Net pension liability - Proportionate share	246,439
Total Noncurrent Liabilities	56,982,539

Total Liabilities

58,834,693

DEFERRED INFLOWS OF RESOURCES

Other postemployment benefits	5,765,029
Pensions	1,694,163
Total Deferred Inflows of Resources	7,459,192

NET POSITION

Net investment in capital assets	15,499,163
Restricted	314,858
Unrestricted	(51,875,932)

Total Net (Deficit)**\$ (36,061,911)***See Independent Auditor's Report and Notes to Basic Financial Statements*

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for	Operating	Capital	
	Expenses	Services	Grants	Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 4,120,612	\$	\$	\$	\$ (4,120,612)
Instruction	18,620,619	196,266	927,237	47,319	(17,449,797)
Pupil transportation	1,272,986				(1,272,986)
School lunch program	618,684	205,312	400,436		(12,936)
Interest on debt	150,079				(150,079)
Total Functions and Programs	\$ 24,782,980	\$ 401,578	\$ 1,327,673	\$ 47,319	(23,006,410)
GENERAL REVENUES					
					6,999,454
Real property taxes					1,786,468
Real property tax items					52,495
Use of money and property					12,241,204
State sources					5,753
Sale of property and compensation for loss					352,003
Miscellaneous					
Total General Revenues					21,437,377
					(1,569,033)
Change in Net Position					
Total Net (Deficit) - Beginning of Year					(34,492,878)
Total Net (Deficit) - End of Year					\$ (36,061,911)

See Independent Auditor's Report and Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 2,294,093	\$ 269	\$ 1,029
Cash - Restricted	225,000		58,054
Due from other funds	283,234		26,179
State and federal aid	1,318,248	241,844	
Due from Fiduciary Funds	28		
Other receivables	81,896		5,625
Inventories			17,889
Total Assets	\$ 4,202,499	\$ 242,113	\$ 108,776
LIABILITIES			
Payables:			
Accounts payable	\$ 322,762	\$ 245	\$ 815
Due to other funds	26,179	235,915	
Due to other governments			214
Due to Teachers' Retirement System	98,666		
Due to Employees' Retirement System	781,718		
Total Liabilities	1,229,325	236,160	1,029
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - State aid		32,229	
Total Inflows of Resources	-	32,229	-
FUND BALANCES			
Nonspendable			17,889
Restricted	225,000		89,858
Assigned	510,368		
Unassigned	2,237,806	(26,276)	
Total Fund Balances (Deficit)	2,973,174	(26,276)	107,747
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,202,499	\$ 242,113	\$ 108,776

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds	
Capital Projects Fund	Total Governmental Funds
\$ _____	\$ 2,295,391
_____	283,054
_____	309,413
47,319	1,607,411
_____	28
_____	87,521
_____	17,889
\$ 47,319	\$ 4,600,707

_____	\$ 323,822
47,319	309,413
_____	214
_____	98,666
_____	781,718
47,319	1,513,833

_____	32,229
-	32,229

_____	17,889
_____	314,858
_____	510,368
_____	2,211,530
-	3,054,645

\$ 47,319	\$ 4,600,707
------------------	---------------------

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balances - Total Governmental Funds **\$ 3,054,645**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 41,860,510	
Less accumulated depreciation	<u>(22,795,885)</u>	19,064,625

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.

TRS net pension asset - Proportionate share	\$ 315,876	
ERS net pension liability - Proportionate share	<u>(246,439)</u>	69,437

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Unavailable revenue	\$ 32,229	
OPEB deferred outflows	1,520,477	
OPEB deferred intflows	(5,765,029)	
ERS deferred outflows - Pension	801,811	
TRS deferred outflows - Pension	4,237,891	
ERS deferred inflows - Pension	(780,571)	
TRS deferred inflows - Pension	<u>(913,592)</u>	(866,784)

Long-term bond payable liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable		(3,565,462)
---------------	--	-------------

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Due to Employees' Retirement System	\$ (334,455)	
Compensated absences	(674,147)	
Other postemployment benefits liability	(52,776,674)	
Accrued interest on long-term debt	<u>(33,096)</u>	<u>(53,818,372)</u>

Net (Deficit) of Governmental Activities **\$ (36,061,911)**

See Independent Auditor's Report and Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 6,999,454	\$	\$
Real property tax items	1,786,468		
Charges for services	132,927		
Use of money and property	52,404		91
Sale of property and compensation for loss	277		
Miscellaneous	352,003		37,309
State sources	12,325,104	165,431	12,232
Medicaid reimbursement	63,339		
Federal sources		651,630	388,204
Sales - School lunch			168,003
Total Revenues	21,711,976	817,061	605,839
EXPENDITURES			
General support	3,329,852		
Instruction	10,597,943	854,875	337,857
Pupil transportation	1,044,608	6,312	
Employee benefits	6,039,964		23,519
Debt service:			
Principal	520,438		
Interest	150,513		
Cost of sales			232,524
Capital outlay			
Total Expenditures	21,683,318	861,187	593,900
Excess of Revenues Over Expenditures	28,658	(44,126)	11,939
OTHER FINANCING SOURCES AND (USES)			
Proceeds of obligations			
Operating transfers in		17,850	
Operating transfers (out)	(17,850)		
Total Other (Uses) Sources	(17,850)	17,850	-
Net Change in Fund Balances	10,808	(26,276)	11,939
Fund Balances (Deficit) - Beginning of Year	2,962,366	-	95,808
Fund Balances (Deficit) - End of Year	\$ 2,973,174	\$ (26,276)	\$ 107,747

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds	
Capital	Total
Projects	Governmental
Fund	Funds
\$	\$
	6,999,454
	1,786,468
	132,927
	52,495
	277
	389,312
47,319	12,550,086
	63,339
	1,039,834
	168,003
47,319	23,182,195
	3,329,852
	11,790,675
	1,050,920
	6,063,483
	520,438
	150,513
	232,524
170,538	170,538
170,538	23,308,943
(123,219)	(126,748)
123,219	123,219
	17,850
	(17,850)
123,219	123,219
-	(3,529)
-	3,058,174
\$ -	\$ 3,054,645

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ (3,529)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay.

Capital outlay	\$	444,854	
Dispositions/reclassifications		5,476	
Depreciation expense		<u>(1,426,411)</u>	(976,081)

Changes in the School District's proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$	16,965	
TRS		<u>(100,517)</u>	(83,552)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which principal repayment exceeds proceeds from debt.

Proceeds of debt	\$	(123,219)	
Principal payments		<u>520,438</u>	397,219

Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in a decrease or (increase) in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the decrease (increase) in the amount reported in the Statement of Activities.

Change in amount due to Employees' Retirement System	\$	58,560	
Change in compensated absences		(162,862)	
Change in other postemployment benefits liability		<u>(825,498)</u>	(929,800)

Certain revenue in the Governmental Funds is not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected. This is the change in unavailable revenue from the previous year.

26,276

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable decreased from the prior year.

434

Net Change in Net Position of Governmental Activities **\$ (1,569,033)**

See Independent Auditor's Report and Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$ <u>187,572</u>	\$ <u>97,574</u>
Investments - Unrestricted	<u>190,385</u>	<u></u>
Total Assets	<u>377,957</u>	\$ <u>97,574</u>
LIABILITIES		
Due to Governmental Funds	<u></u>	<u>28</u>
Extraclassroom Activity balances	<u></u>	<u>51,212</u>
Other liabilities	<u></u>	<u>46,334</u>
Total Liabilities	<u>-</u>	\$ <u>97,574</u>
NET POSITION		
Reserved for scholarships	\$ <u>377,957</u>	

See Independent Auditor's Report and Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 18,282
Investment earnings	352
Total Additions	18,634
DEDUCTIONS	
Scholarships and awards	17,050
Change in Net Position	1,584
Net Position - Beginning of Year	376,373
Net Position - End of Year	\$ 377,957

See Independent Auditor's Report and Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of Little Falls City School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

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 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 financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity."

- The primary government, which is the School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 15 Petrie St. Little Falls, NY 13365.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Joint Venture

The School District is one of the component school districts in the Herkimer County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share 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 school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statement of the Herkimer-Fulton-Hamilton-Otsego Counties BOCES may be obtained by contacting the Executive Director of Business, Herkimer-Fulton-Hamilton-Otsego BOCES, 352 Gros Boulevard, Herkimer, NY 13350.

Basis of Presentation District-wide Financial 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, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the School District at fiscal year-end. 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 specifically associated with and clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs. 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation District-wide Financial Statements - Continued

The Governmental Fund financial 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 Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as federal, state and local grants that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Capital Projects Fund:** Accounts for the financial resources used for renovation of the School District's educational complex.

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.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, 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.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholdings.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

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 state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

Cash and Investments

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. Investments are stated at fair value. 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 School Districts.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures and is reported as non-spendable fund balance in the governmental fund financial statements.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at estimated fair value at the time received. The School District uses the straight-line method of depreciation.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	15-50 Years
Building improvements	20,000	15-50 Years
Furniture and equipment	5,000	8-20 Years
Site improvements	5,000	15-50 Years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Vested Employee Benefits

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts, the use of which is based on a last-in, first-out basis. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on pay rates in effect at year end.

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

Other Postemployment Benefits

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become 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-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

During 2018, the School District adopted GASB Statement Number 75, "Accounting and Financial Reporting for Postemployment Benefit Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and other postemployment benefits are described in Notes 10 and 11.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and other postemployment benefits are described in Notes 10 and 11.

Unearned and Unavailable Revenues

Unearned revenues 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 the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues as a deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable revenues is removed and revenues are recorded.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classification - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classification - Governmental Fund Financial Statements

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2017. Taxes were collected during the period September 1, 2017 to November 1, 2017.

Enforcement

Uncollected real property taxes are subsequently enforced by the city and county in which the School District is located. An amount representing uncollected real property taxes must be transmitted by the city to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable. There were no taxes receivable or associated deferred inflows of resources at June 30, 2018.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of 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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits payable, potential contingent liabilities and useful lives of long-lived assets.

New Accounting Standards

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ended June 30, 2018.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

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

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ending June 30, 2020. This statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the end of a Construction Period," effective for the year ending June 30, 2021.

***Note 2* Participation in BOCES**

During the year ended June 30, 2018, the School District's share of BOCES aid amounted to \$1,332,871. The School District was billed \$2,476,523, which does not include mutual funds for BOCES administration and program costs. Financial statements for the Herkimer County BOCES are available from the BOCES administrative office at 352 Gros Blvd, Herkimer, NY 13350-1446.

***Note 3* Cash and Cash Equivalents and Investments - Custodial and, Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it.

While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 3* Cash and Cash Equivalents and Investments - Custodial and Concentration of Credit Risks - Continued**

The School District's aggregate bank and financial institutions balances of \$3,264,772, which does not include mutual funds, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

FASB ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 3* Cash and Cash Equivalents and Investments - Custodial and Concentration of Credit Risks - Continued**

The School District has investments in donated Scholarship Funds. The School District chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as below:

Investments	Cost	Carrying Amount Fair Value	Type of Investment	Level
Private Purpose Trust Fund	\$ 121,903	\$ 116,045	U.S. mortgage backed securities	1
Private Purpose Trust Fund	<u>74,340</u>	<u>74,340</u>	Certificate of deposit	N/A
Total	\$ <u>196,243</u>	\$ <u>190,385</u>		

The certificate of deposit is a one year certificate of deposit maturing on November 3, 2018 at an interest rate of 0.10%.

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	<u>Description</u>	<u>Amount</u>
General Fund	Due from other school districts	\$ 20,000
	Other miscellaneous	61,896
	Total General Fund	<u>81,896</u>
School Lunch Fund	Head Start meal reimbursements	2,340
	Other miscellaneous	3,285
	Total School Lunch Fund	<u>5,625</u>
Total		\$ <u><u>87,521</u></u>

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2018, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 283,234	\$ 26,179	\$	\$ 17,850
School Lunch Fund	26,179			
Special Aid Fund		235,915	17,850	
Capital Fund		47,319		
Total	\$ <u><u>309,413</u></u>	\$ <u><u>309,413</u></u>	\$ <u><u>17,850</u></u>	\$ <u><u>17,850</u></u>

The Agency Fund also owes the General Fund \$28.

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The School District also transfers funds from the Capital Reserve in the General Fund to the Capital Projects Fund, as needed, to fund capital projects. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 6 Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Capital assets that are not depreciated:				
Land	\$ 477,202	\$	\$	\$ 477,202
Total Nondepreciable Historical Cost	<u>477,202</u>	<u>-</u>	<u>-</u>	<u>477,202</u>
Capital assets that are depreciated:				
Buildings	38,519,046			38,519,046
Improvements other than buildings	864,337	62,500		926,837
Furniture and equipment	1,698,324	382,354	(143,253)	1,937,425
Total Depreciable Historical Cost	<u>41,081,707</u>	<u>444,854</u>	<u>(143,253)</u>	<u>41,383,308</u>
Total Historical Cost	<u>41,558,909</u>	<u>444,854</u>	<u>(143,253)</u>	<u>41,860,510</u>
Less accumulated depreciation:				
Buildings	(20,504,603)	(1,213,422)		(21,718,025)
Improvements other than buildings	(227,633)	(75,936)		(303,569)
Furniture and equipment	(785,967)	(137,053)	148,729	(774,291)
Total Accumulated Depreciation	<u>(21,518,203)</u>	<u>(1,426,411)</u>	<u>148,729</u>	<u>(22,795,885)</u>
Capital Assets, Net	\$ <u>20,040,706</u>	\$ <u>(981,557)</u>	\$ <u>5,476</u>	\$ <u>19,064,625</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 42,949
Instruction	1,314,410
Pupil transportation	17,629
School lunch program	<u>51,423</u>
Total	\$ <u>1,426,411</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 7* Short-term Debt**

The School District may issue revenue anticipation notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year.

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

The School 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 be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

***Note 8* Long-term Debt**

At June 30, 2018, the total outstanding indebtedness of the School District represented 23.6% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- **Serial Bonds and Statutory Installment Bonds** - The School District borrows money in order to acquire land or equipment or construct buildings and 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.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

The following is a summary of the School District's long-term debt for the year ended June 30, 2018:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
Bonds:				
2010 Renovation Bond	04/15/2010	04/15/2025	3.75%	\$ 3,210,000
2013 Bus Bond	12/03/2013	12/06/2018	2.95%	22,581
2014 Bus Bond	08/27/2014	08/27/2019	2.13%	19,532
2015 Bond	08/14/2015	08/14/2020	3.00%	138,629
2016 Bond	10/07/2016	10/07/2021	3.10%	51,500
2018 Bond	09/22/2017	09/22/2022	2.60%	<u>123,220</u>
Total				\$ <u><u>3,565,462</u></u>

Interest expense on long-term debt during the year was comprised of:

Interest paid	\$ 150,513
Less interest accrued in the prior year	(33,530)
Plus interest accrued in the current year	<u>33,096</u>
Total	\$ <u><u>150,079</u></u>

Interest paid on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Long-term liability balances and activity for the year ended June 30, 2018 are summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ <u>3,962,681</u>	\$ <u>123,219</u>	\$ <u>(520,438)</u>	\$ <u>3,565,462</u>	\$ <u>556,076</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

The following is a summary of the maturity of long-term indebtedness:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 556,076	\$ 135,003	\$ 691,079
2020	553,495	115,203	668,698
2021	558,728	95,318	654,046
2022	532,519	75,080	607,599
2023	539,644	54,241	593,885
2024-2025	825,000	44,800	869,800
Total	\$ 3,565,462	\$ 519,645	\$ 4,085,107

Note 9 Other Long-term Obligations

Other long-term obligations consist of the following:

- Due to Retirement Systems: Represents amounts to be amortized for a portion of the School District's prior years' required contributions to the New York State Employees' Retirement system. This liability is liquidated from the General and School Lunch Funds. See Note 10 for further information.
- Compensated absences: Represents unpaid accumulated sick and vacation leave. This liability is liquidated from the General and School Lunch Funds. See Note 1 for further information.

Activity during 2017-2018 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 511,285	\$ 162,862	\$	\$ 674,147
Due to Employees' Retirement System	393,015		(58,560)	334,455
Total Long-term Obligations	\$ 904,300	\$ 162,862	\$ (58,560)	\$ 1,008,602

The School District will remit approximately \$58,562 in 2018-2019 to the Employees' Retirement System.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Tier and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more year of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, 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 RSSL. 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.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS)

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

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	ERS	TRS
2018	\$ 405,905	\$ 801,495
2017	394,211	866,818
2016	427,807	1,107,491

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

	ERS	TRS
Actuarial valuation date	04/01/2017	06/30/2016
Net pension (asset) liability	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension (asset) liability	246,439	(315,876)
School District's share of the net pension (asset) liability	0.00764%	0.041557%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2018, the School District recognized pension expense of \$16,965 for ERS and \$(100,517) for TRS in the District-wide financial statements. At June 30, 2018 the School District's 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	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 87,897	\$ 259,888	\$ 72,635	\$ 123,156
Changes of assumptions	163,409	3,214,097		
Net differences between projected and actual earnings on pension plan investments	357,933		706,524	743,979
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	93,906	38,999	1,412	46,457
School District's contributions subsequent to the measurement date	98,666	724,907		
Total	\$ 801,811	\$ 4,237,891	\$ 780,571	\$ 913,592

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

Year ended	ERS	TRS
2019	\$ 89,362	\$ 74,745
2020	66,150	851,999
2021	(161,207)	610,172
2022	(71,731)	152,713
2023		608,402
Thereafter		301,361

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary increases	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions - Continued

For TRS, 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 the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	0.3%	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 1,864,624	\$ 246,439	\$ (1,122,481)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension (asset) liability	\$ 5,441,603	\$ (315,876)	\$ (5,137,478)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset) liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	<u><u>\$ 3,227,445</u></u>	<u><u>\$ (760,099)</u></u>
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	(100.7%)

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions were remitted monthly. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$98,666.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$781,718.

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following increase/decrease in net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension liability	\$ 700,172	\$ (453,733)	\$ 246,439
Deferred outflows of resources	(566,451)	(235,360)	(801,811)
Deferred inflows of resources	108,443	672,128	780,571
Subtotal	<u>242,164</u>	<u>(16,965)</u>	<u>225,199</u>
TRS			
Net pension (asset) liability	441,974	\$ (757,850)	\$ (315,876)
Deferred outflows of resources	(4,359,546)	121,655	(4,237,891)
Deferred inflows of resources	176,880	736,712	913,592
Subtotal	<u>(3,740,692)</u>	<u>100,517</u>	<u>(3,640,175)</u>
Total Effect on Net Position	<u><u>\$ (3,498,528)</u></u>	<u><u>\$ 83,552</u></u>	<u><u>\$ (3,414,976)</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Other Postemployment Benefits**

Postemployment Benefits Other than Pensions

During the year ended June 30, 2018 the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

General Information about the OPEB Plan

Plan Description - The School District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	167
Active employees not fully eligible for benefits	166
Single Discount Rate (Source: Bond Buyer Weekly 20-Bond GO Index)	3.60%
Rate of Compensation Increase	3.00%
Inflation Rate	2.20%
Salary scale	3.00%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Other Postemployment Benefits - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$52,776,674 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Total OPEB Liability
Balance at June 30, 2017	\$ 57,702,968
Changes for the year:	
Service Cost	1,959,674
Interest Cost	1,678,908
Changes in assumptions or other inputs	(7,057,636)
Benefit payments	(1,507,240)
	<u>(4,926,294)</u>
Balance at June 30, 2018	\$ 52,776,674

Mortality rates were based on the Scale MP-2014 and projected forward with Scale MP-2017 (generational mortality) published by the pension mortality study released by the Society of Actuaries.

Termination rates were based on the experience under the NYS and Local Retirement System.

Retirement rates are based on the experience under the New York State and Local Retirement System.

The actuarial assumptions used in the June 30, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Other Postemployment Benefits - Continued

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Total OPEB liability	\$ 62,486,274	\$ 52,776,674	\$ 45,105,954

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 4.50% in 2017 to 7.50% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School district's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (3.50% to 6.50%) or 1 percentage point higher (5.50% to 8.50%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 43,693,234	\$ 52,776,674	\$ 64,706,122

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$825,498.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes in assumptions or other inputs		5,765,029
Contributions subsequent to measurement date	1,520,477	
Total	\$ 1,520,477	\$ 5,765,029

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Other Postemployment Benefits - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
Ending June 30,	
2019	\$ (1,292,607)
2020	(1,292,607)
2021	(1,292,607)
2022	(1,292,607)
2023 and thereafter	(594,601)

Note 12 Commitments and Contingencies

Risk Financing

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

Worker's Compensation

The School District participates in the Madison, Oneida, and Herkimer Workers' Compensation Consortium (Plan) for its workers' compensation insurance coverage. 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 system. School Districts joining the plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by submitting a notice of withdrawal 120 days prior to the Plan's year end.

Plan members include 31 other school districts and 9 other governmental units, including BOCES, with the School District bearing its proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks insured.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 12* Commitments and Contingencies - Continued**

Worker's Compensation - Continued

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

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$85,971.

Other Items

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

The School District is responsible for non-resident tuition for children who resided in the School District at the time of foster care placement in other school districts in accordance with §3202(4)(a) of the Education Law. In some cases, the School District may not be notified of this until subsequent to year end. Based on past experience, the School District's administration believes these expenditures will be immaterial.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Fund Balance Detail

At June 30, 2018, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund
Nonspendable				
Inventory	\$ _____	\$ _____	\$ 17,889	\$ _____
Total Nonspendable Fund Balance	\$ -	\$ -	\$ 17,889	\$ -
Restricted				
Reserve for retirement contributions	\$ 225,000	\$ _____	\$ _____	\$ _____
School lunch	_____	_____	89,858	_____
Total Nonspendable Fund Balance	\$ 225,000	\$ -	\$ 89,858	\$ -
Assigned				
Appropriated for next year's budget	\$ 510,368	\$ _____	\$ _____	\$ _____
Total Assigned Fund Balance	\$ 510,368	\$ -	\$ -	\$ -

Note 14 Stewardship, Compliance, and Accountability

Compliance with Real Property Tax Law §1318

As described in Note 1, Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. The School District's unexpended surplus at June 30, 2018 exceeded this limit by \$1,338,380. The excess was largely the result of unanticipated revenue and cost savings. School District management has discussed several options that would address the excess fund balance issue.

Deficit Net Position

At June 30, 2018, the District-wide Statement of Net Position had a deficit net position of \$(36,061,911). This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. (See Note 11.) This deficit is not expected to be eliminated during the normal course of operations.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 15 Tax Abatements

For the year ended June 30, 2018, property in the School District was subject to property tax abatements negotiated by the Herkimer County IDA (HCIDA).

HCIDA enters into PILOT agreements with businesses within Herkimer County under New York State General Municipal Law 858. Economic development agreements entered into by HCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which HCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

Information relevant to disclosure of the program for the year ended June 30, 2018 is as follows:

	<u>Taxable Assesed</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Herkimer County IDA					
TRB Associates	\$ 100,000	142.70	14,178	\$ 14,178	\$ -
Atlantic Wind Energy	N/A	N/A	N/A	19,477	N/A
Feldmeier Equipment	647,000	142.70	92,327	30,773	61,554
TRB Associates	580,000	142.70	82,766	58,792	23,974

Note 16 Restatement

The School District's June 30, 2017 net position has been restated to reflect the following:

Net Position (Deficit) Beginning of Year	\$ (5,142,204)
GASB Statement No. 75 Implementation	<u>(29,350,674)</u>
Beginning OPEB plan liability	
Net Position (Deficit) Beginning of Year, as Restated	<u><u>\$ (34,492,878)</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real property taxes	\$ 8,637,397	\$ 8,637,397	\$ 6,999,454	\$ (1,637,943)
Real property tax items	<u>122,000</u>	<u>122,000</u>	<u>1,786,468</u>	<u>1,664,468</u>
Charges for services	<u>141,500</u>	<u>141,500</u>	<u>132,927</u>	<u>(8,573)</u>
Use of money and property	<u>51,500</u>	<u>51,500</u>	<u>52,404</u>	<u>904</u>
Sale of property and compensation for loss	<u></u>	<u></u>	<u>277</u>	<u>277</u>
Miscellaneous	<u>26,000</u>	<u>142,268</u>	<u>352,003</u>	<u>209,735</u>
Total Local Sources	<u>8,978,397</u>	<u>9,094,665</u>	<u>9,323,533</u>	<u>228,868</u>
 State sources	 <u>12,297,685</u>	 <u>12,297,685</u>	 <u>12,325,104</u>	 <u>27,419</u>
Medicaid reimbursement	<u>50,000</u>	<u>50,000</u>	<u>63,339</u>	<u>13,339</u>
 Total Revenues	 <u>21,326,082</u>	 <u>21,442,350</u>	 <u>\$ 21,711,976</u>	 <u>\$ 269,626</u>
 Designated Fund Balance and Encumbrances Carried Forward from Prior Year	 <u>280,858</u>	 <u>280,858</u>		
 Total Revenues, Appropriated Reserves, and Designated Fund Balance	 <u>\$ 21,606,940</u>	 <u>\$ 21,723,208</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 22,333	\$ 23,208
Central administration	207,599	224,004
Finance	375,099	452,149
Staff	30,858	53,358
Central services	1,988,702	1,959,557
Special items	628,165	619,290
Total General Support	3,252,756	3,331,566
Instruction		
Instruction, administration, and improvement	643,636	784,576
Teaching - Regular school	5,062,690	5,856,905
Programs for children with handicapping conditions	1,957,054	2,123,517
Occupational education	511,300	515,200
Teaching - Special school	92,327	80,877
Instructional media	573,271	586,921
Pupil services	725,336	657,651
Total Instruction	9,565,614	10,605,647
Pupil transportation	1,071,387	1,046,912
Employee benefits	7,041,229	6,045,129
Debt Service		
Principal	520,440	520,440
Interest	155,514	155,514
Total Debt Service	675,954	675,954
Total Expenditures	21,606,940	21,705,208
OTHER FINANCING USES		
Operating transfers out	-	18,000
Total Expenditures and Other Financing Uses	\$ 21,606,940	\$ 21,723,208

Net Change in Fund Balances

Fund Balance - Beginning of Year

Fund Balance - End of Year

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Favorable (Unfavorable)</u>
\$ 22,912	\$ 296
223,812	192
451,960	189
53,324	34
1,958,832	725
619,012	278
3,329,852	1,714
784,323	253
5,855,802	1,103
2,121,377	2,140
515,180	20
80,755	122
585,001	1,920
655,505	2,146
10,597,943	7,704
1,044,608	2,304
6,039,964	5,165
520,438	2
150,513	5,001
670,951	5,003
21,683,318	21,890
17,850	150
21,701,168	\$ 22,040
10,808	
2,962,366	
\$ 2,973,174	

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service cost	\$ 1,959,674	\$ *	\$ *
Interest cost	1,678,908	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	-	*	*
Changes in assumptions or other inputs	(7,057,636)	*	*
Benefit payments	<u>(1,507,240)</u>	*	*
	<u>(4,926,294)</u>	*	*
Total OPEB liability - Beginning	<u>57,702,968</u>	<u>*</u>	<u>*</u>
Total OPEB liability - Ending	\$ <u>52,776,674</u>	\$ <u>57,702,968</u>	\$ <u>*</u>
Covered employee payroll	\$ 8,118,849		

*Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it become available

See Independent Auditor's Report and Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Contractually required contribution	\$ 405,905	\$ 394,211	\$ 427,807
Contributions in relation to the contractually required contribution	(405,905)	(394,211)	(427,807)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	2,434,303	2,275,351	2,099,339
Contributions as a percentage of covered - employee payroll	16.7%	17.3%	20.4%

*Information Unavailable

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

Contractually required contribution	\$ 724,907	\$ 801,495	\$ 866,818
Contributions in relation to the contractually required contribution	(724,907)	(801,495)	(866,818)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	7,397,010	6,838,695	6,537,089
Contributions as a percentage of covered - employee payroll	9.8%	11.7%	13.3%

*Information Unavailable

See Independent Auditor's Report and Notes to Required Supplementary Information

2015	2014	2013	2012	2011	2010	2009
\$ 421,959	\$ 388,379	\$ 422,210	\$ 292,131	\$ 213,837	\$ 129,652	\$ *
(421,959)	(388,379)	(422,210)	(292,131)	(213,837)	(129,652)	*
-	-	-	-	-	-	*
2,059,887	1,911,686	*	*	*	*	*
20.5%	20.3%	*	*	*	*	*

\$ 1,107,491	\$ 986,605	\$ 684,687	\$ 676,383	\$ 532,571	\$ 395,128	\$ 529,411
(1,107,491)	(986,605)	(684,687)	(676,383)	(532,571)	(395,128)	(529,411)
-	-	-	-	-	-	-
6,317,690	6,071,415	5,782,829	6,088,056	6,178,318	6,383,328	6,938,545
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.007640%	0.0074516%	0.0074028%	0.0075344%
School District's proportionate share of the net pension (asset) liability	\$ 246,439	\$ 700,172	\$ 1,188,176	\$ 254,530
School District's covered-employee payroll	2,308,940	2,174,139	2,074,406	2,055,407
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	10.7%	32.2%	57.3%	12.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.041557%	0.041266%	0.041060%	0.041060%
School District's proportionate share of the net pension (asset) liability	\$ (315,876)	\$ 441,974	(4,368,490)	(4,573,873)
School District's covered-employee payroll	6,838,695	6,537,089	6,317,690	6,071,415
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	(4.6%)	6.8%	(69.1%)	(75.3%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	110.5%	111.5%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted budget	\$ 21,377,838
Carryover encumbrances	<u>229,102</u>
Original budget	21,606,940
Gifts and donations	<u>116,268</u>
Final Budget	\$ <u>21,723,208</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. An annual legal budget is not adopted for the Special Grant and School Lunch funds, which are Special Revenue Funds.

***Note 2* Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2018.

***Note 3* Schedule of Changes in the School Districts Total OPEB Liability and Related Ratios**

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.6%
2017 - 2.85%

***Note 4* Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS - Continued

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of school districts' contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
-----------------------	---

Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
------------------------	---

Inflation	2.5%
-----------	------

Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
----------------------------	--

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.25% compounded annually, net of investment expenses, including inflation.
---------------------------	---

Projected cost of living adjustments	1.5% compounded annually
--------------------------------------	--------------------------

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 21,377,838
Prior year's encumbrances	<u>229,102</u>
Original Budget	21,606,940
Additions:	
Appropriation of gifts and donations	<u>116,268</u>
Total Additions	<u>116,268</u>
Total Deductions	<u>-</u>
Final Budget	<u>\$ 21,723,208</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's 2018-2019 voter approved budget	<u>\$ 22,485,657</u>
Maximum allowed (4% of 2017-2018 Budget)	<u>\$ 899,426</u>

General Fund fund balance subject to §1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned fund balance	\$ 510,368
Unassigned fund balance	<u>2,237,806</u>
Total Unrestricted Fund Balance	<u>2,748,174</u>

Less:	
Appropriated fund balance	\$ <u>510,368</u>
Total Adjustments	<u>510,368</u>

General Fund Fund Balance Subject to §1318 of Real Property Law	<u>\$ 2,237,806</u>
--	----------------------------

Actual Percentage	9.95%
-------------------	-------

See Independent Auditor's Report

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Transfer to General Fund	
<u>SMART Schools Project</u>	<u>\$ 587,346</u>	<u>\$ 587,346</u>	<u>\$ 533,089</u>	<u>\$ 47,319</u>	<u>\$</u>	<u>\$ 580,408</u>
<u>Bus 32A</u>	<u>123,219</u>	<u>123,219</u>	<u></u>	<u>123,219</u>	<u></u>	<u>123,219</u>
Total	<u>\$ 710,565</u>	<u>\$ 710,565</u>	<u>\$ 533,089</u>	<u>\$ 170,538</u>	<u>\$ -</u>	<u>\$ 703,627</u>

See Independent Auditor's Report

Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ <u>6,938</u>	\$ <u> </u>	\$ <u>580,408</u>	\$ <u> </u>	\$ <u>580,408</u>	\$ <u> -</u>
<u> </u>	<u>123,219</u>	<u> </u>	<u> </u>	<u>123,219</u>	<u> -</u>
\$ <u>6,938</u>	\$ <u>123,219</u>	\$ <u>580,408</u>	\$ <u> -</u>	\$ <u>703,627</u>	\$ <u> -</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>19,064,625</u>
Deduct:	
Short-term portion of bonds payable	<u>(556,076)</u>
Long-term portion of bonds payable	<u>(3,009,386)</u>
Net Investment in Capital Assets	\$ <u><u>15,499,163</u></u>

See Independent Auditor's Report



**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
Little Falls City School District
Little Falls, New York

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 Little Falls City School District (the 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 September 27, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 27, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Little Falls City School District
Little Falls, New York

Report on Compliance for Each Major Federal Program

We have audited Little Falls City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the 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.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 27, 2018

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass -Through Grantor Program Title	Federal CFDA #	Pass -Through Grantor #	Passed Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021181125	\$	\$ 310,234
Special Education Cluster:				
Special Education - Grants to States	84.027	0032180306		266,940
Special Education - Preschool Grants	84.173	0033180306		9,832
Total Special Education Cluster				276,772
Improving Teacher Quality State Grants	84.367	0147181125		45,487
Rural and Low Income Schools	84.358	0006181125		19,137
Total U.S. Department of Education				651,630
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555			309,581
School Breakfast Program	10.553			78,623
Total Child Nutrition Cluster				388,204
Total U.S. Department of Agriculture				388,204
Total Expenditures of Federal Awards			\$ -	\$ 1,039,834

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1* **Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2* **Basis of Accounting*

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3* **Indirect Costs*

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4* **Matching Costs*

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5* **Non-Monetary Federal Program*

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the School District received \$33,435 of commodities under the National School Lunch Program (CFDA #10.555).

Note 6* **Subrecipients*

No amounts were provided to subrecipients.

Note 7* **Other Disclosures*

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes X none reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 200 CFR 516(a)?

_____ yes X no

Identification of major programs

CFDA Numbers

Name of Federal Program or Cluster

84.027 and 84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B
Programs

\$ 750,000

Auditee qualified as low-risk?

X yes _____ no

Section II - Financial Statement Finding

None

Section III - Federal Award Findings and Questioned Costs

None