

NEW ISSUE**BOND ANTICIPATION NOTES**

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

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

\$3,000,000

EDMESTON CENTRAL SCHOOL DISTRICT OTSEGO AND MADISON COUNTIES, NEW YORK

GENERAL OBLIGATIONS

\$3,000,000 Bond Anticipation Notes, 2020 (the "Notes")



Dated: August 27, 2020

Due: August 27, 2021

The Notes are general obligations of the Edmeston Central School District, Otsego and Madison Counties, New York (the "District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF THE OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. **The Notes are not subject to redemption prior to maturity.**

At the option of the purchaser, the Notes will be issued in (i) registered certificated form registered in the name of the successful bidder or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC"). The District will act as Paying Agent for the Notes.

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State of New York. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, as may be determined by such successful bidder. A single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

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

The District is unable to identify and state herein all of the direct or indirect effects, if any, of the COVID-19 pandemic on the District or on the fair market value, at any time, of the Bonds or the Notes.

The Notes 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 Notes of the Law Offices of Timothy R. McGill, Bond Counsel, Fairport, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser, or about August 27, 2020.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on August 13, 2020 by no later than 11:00 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

August __, 2020

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

EDMESTON CENTRAL SCHOOL DISTRICT OTSEGO AND MADISON COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2020-2021 BOARD OF EDUCATION

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President



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BRENDA BELDEN
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HOGAN, SARZYNSKI, LYNCH, DEWIND & GREGORY LLP
School District Attorneys



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

LAW OFFICES OF TIMOTHY R. MCGILL, ESQ
Bond Counsel

No person has been authorized by the Edmeston Central School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Edmeston Central School District.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
EDMESTON CENTRAL SCHOOL DISTRICT
OTSEGO AND MADISON COUNTIES, NEW YORK

Relating To
\$3,000,000 Bond Anticipation Notes, 2020

This Official Statement, which includes the cover page, has been prepared by the Edmeston Central School District, Otsego and Madison Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$3,000,000 principal amount of Bond Anticipation Notes, 2020 (the "Notes").

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

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

NATURE OF OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

THE NOTES

Description of the Notes

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

The Notes are dated August 27, 2020 and mature, without option of prior redemption, on August 27, 2021. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in denominations of \$5,000 each or multiples thereof, and at the option of the purchaser either (i) registered in the name of the purchaser, in certificated form with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder; or (ii) as registered book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution of the School District dated January 10, 2019 authorizing the issuance of \$3,000,000 serial bonds to finance certain capital improvements consisting of reconstruction of the school building and facilities at a maximum estimated cost of \$3,000,000 (the “Capital Project”).

The proceeds of the Notes will provide \$3,000,000 in new money for the Capital Project.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

request that copies of notices be provided directly to them.

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The District is located in upstate New York, 12 miles west of the Village of Cooperstown. The City of Albany is approximately 75 miles to the east, the City of Utica approximately 30 miles north and the City of Oneonta is 20 miles to the south. Major highways serving the District include New York State Routes #80, #51, and #8.

With a land area of approximately 96 square miles, the District is residential and agricultural in nature. The incorporated areas of Edmeston and Burlington Flats serve as the commercial centers within the District.

Banking services are provided by NBT Bank, N.A. of Norwich. Chobani has located their operations in South Edmeston, just outside the District border.

Source: District officials.

District Population

The 2018 estimated population of the District is 2,909. (Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates)

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>
Towns of:						
Burlington	\$ 15,184	\$ 24,565	\$ 23,185	\$ 42,500	\$ 55,875	\$ 58,472
Exeter	15,599	20,933	27,822	41,184	52,692	61,250
New Lisbon	16,935	21,744	33,905	40,125	50,086	73,958
Otsego	26,305	33,902	47,120	48,320	63,750	96,296
Pittsfield	15,347	19,942	26,352	36,328	57,670	53,221
Plainfield	14,768	21,583	27,099	36,667	58,375	72,344
Brookfield	13,719	25,162	27,724	35,915	72,731	62,727
Counties of:						
Otsego	16,806	22,902	27,680	41,110	56,797	66,399
Madison	19,105	24,311	28,925	47,889	61,828	73,102
State of:						
New York	23,389	30,948	37,470	51,691	67,405	80,419

Note: 2015-2019 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 2014-2018 American Community Survey data.

Larger Employers

The larger employers located within and in close proximity to the District are as follows:

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approximate Number Employed</u>
NYCM Insurance	Insurance	619
Pathfinder Village	Down Syndrome School and Facilities	236
Edmeston Central School District	Education	91
Otsego Mutual Insurance	Insurance	23
Aqua Valley Springs	Bottled Spring Water	16

Source: District Officials.

Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Otsego County	6.8%	5.7%	5.4%	4.9%	5.0%	4.4%	4.2%
Madison County	7.6	6.4	5.7	5.3	5.5	4.8	4.5
New York State	7.7	6.3	5.3	4.9	4.7	4.1	4.0

	<u>2020 Monthly Figures</u>						
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Otsego County	5.5%	5.1%	5.2%	12.1%	8.5%	9.3%	N/A
Madison County	5.5	5.2	5.3	16.2	11.2	10.6	N/A
New York State	4.1	3.9	4.2	15.1	14.2	15.6	N/A

Note: Unemployment rates for the month of July 2020 are not available as of the date of this Official Statement. Due to the COVID-19 pandemic, unemployment rates for April, May and June were substantially higher than in prior periods. Unemployment rates are expected to remain high for the foreseeable future.

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

Form of School Government

The Board of Education (the “Board”), the policy-making body of the School District, consists of five members, all of whom must be qualified voters of the School District, each with overlapping three-year terms so that as nearly an equal number of members as possible is elected to the Board each year. The President of the Board (and Chief Financial Officer) and the Vice President are selected from among the Board members and the Board also appoints a superintendent and treasurer to conduct the day-to-day operations of the School District.

Budgetary Procedures and Recent Budget Votes

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 2019-20 fiscal year was approved by qualified voters on May 21, 2019 by a vote of 101 to 5. The District’s adopted budget for the 2019-20 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget included a total tax levy increase of 1.95%, which equaled the District’s tax levy limit of 1.95% for the 2019-20 fiscal year.

The school budget vote for the 2020-21 fiscal year was originally scheduled to be held on May 19, 2020, however, under Executive Order annual school budget votes and board of education elections across the State were postponed until June 9, 2020 and was conducted using only absentee ballots. Absentee ballots received by the School District by no later than 5:00 pm. On June 16, 2020 were counted in the vote tally. The District’s budget for the 2020-21 fiscal year was approved by the qualified voters on June 16, 2020 by a vote of 171 yes to 18 no. The budget included a zero percent tax levy increase which was below to the District’s Tax Cap of 3.14% for the 2020-21 fiscal year.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the 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 District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the School District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

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

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2020-21 fiscal year, approximately 70.0% 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”).

According to the four-year financial plan released by the State on May 8, 2020, as a result of the COVID – 19 pandemic, State spending will be significantly reduced. Such reductions will include reductions to “aid to localities” which includes State aid to school districts, including the School District. See “State Aid -School District Fiscal Year (2020-2021)”.

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, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. In the event a mid-year reduction in State aid, a deficiency note may be issued in a restricted amount.

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 2020-2021 preliminary building aid ratios, the District State Building aid of approximately 85.4% for debt service on State Education Department approved expenditures from July 1, 2004 to the present

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

State Aid History

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

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

School district fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-2018 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State's 2018-2019 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. The State 2018-2019 Enacted Budget continued to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

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.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid totals \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4 percent.

The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income.

Provisions in the State's 2020-2021 Enacted Budget grant the Budget Director the authority to reduce "aid-to-localities" appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. Aid-to-localities is a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. The State's Enacted Budget is deemed out of balance for the fiscal year, and the Budget Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The State's 2020-2021 Enacted Budget is premised on the assumption that the Budget Director's powers will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. Due principally to the COVID-19 pandemic, reduced receipts are expected through State fiscal year 2024. According to the four-year financial plan released by the State on May 8, 2020, as a result of the COVID_19 pandemic, State spending will be significantly reduced. Such reductions will include reductions to "aid to localities" which includes State aid to school districts, including the School District. Any significant reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

As described above the amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State's 2019-2020 Enacted Budget was adopted on March 31, 2019 and the State's 2018-2019 Enacted Budget was adopted on March 30, 2018, both in advance of the April 1 deadline, the State's 2017-2018 Enacted Budget was adopted on April 9, 2017, a delay of approximately 8 days, and the State's 2020-21 Enacted Budget was adopted on April 2, 2020, a one-day delay. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

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.

Potential Reductions in Federal Aid Received by the State

The State receives a substantial amount of Federal aid for health care, education, transportation and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Federal administration and Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision because of changes in Federal policy and the impacts of the COVID-19 pandemic.

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 Federal 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.

State Aid Litigation

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

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

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

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* (“*NYSER*”) and a consolidated case on the right to a sound basic education. The *NYSER* lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *Campaign for Fiscal Equity* 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>
2014-2015	\$ 9,836,089	\$ 7,060,834	71.78%
2015-2016	10,053,948	7,308,458	72.69
2016-2017	10,293,721	7,523,516	73.09
2017-2018	10,378,721	7,732,050	74.50
2018-2019	10,777,447	7,852,823	72.86
2019-2020 (Unaudited)	10,707,171	7,967,742	74.42
2020-2021 (Budgeted)	10,638,125	7,447,516	70.01

Source: 2014-15 through and including the 2018-19 audited financial statements, unaudited results of operations for the 2019-20 fiscal year and the adopted budget of the District for the 2020-21 fiscal year.

District Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built/Additions</u>
Edmeston Central School	Pre-K-12	600	1938, '55, '58, '76, '90, '00, '05, '09

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-2016	428	2020-2021	390
2016-2017	447	2021-2022	390
2017-2018	434	2022-2023	390
2018-2019	397	2023-2024	390
2019-2020	379	2024-2025	390

Source: District officials.

Employees

The District employs approximately 90 full-time employees and 2 part-time. The following table sets forth a breakdown of employee representation by collective bargaining agent and the date of expiration of the collective bargaining agreement:

<u>Employees</u>	<u>Union Representation</u>	<u>Expiration Date</u>
53	Edmeston Central School Faculty Association	June 30, 2023

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2020-21 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	\$ 157,056	\$ 525,086
2016-2017	120,669	366,472
2017-2018	149,778	302,589
2018-2019	133,370	324,992
2019-2020	136,824	360,778
2020-2021 (Budgeted)	163,969	332,348

Source: District officials.

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 currently does not offer any early retirement incentive above the normal contractual incentive programs for its employees nor does the District plan to offer any such plans in the 2019-2020 fiscal year.

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 (2015-16 to 2020-21) is shown below:

<u>Fiscal 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
2020-21	14.6	9.53*

- * Estimated. The final rate is expected to be adopted by the New York State Teachers' Retirement System Board at its July 29, 2020 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 May 22, 2019, the District established a reserve fund for the purpose of funding the cost of TRS contributions.

Other Post-Employment 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 will require governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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

GASB 75 and OPEB. In 2015, the GASB released new accounting standards for public other postemployment 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 school districts to report 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 requires school districts to calculate and report a net other postemployment benefit 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.

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.

The District contracted with an Armory Associates, LLC to calculate its actuarial valuation under GASB 75 for the fiscal years ending June 30, 2018 and 2019.

The following table outlines the changes to the Total OPEB Liability during the 2018 and 2019 fiscal years, by source.

	Balance beginning at:	June 30, 2017	June 30, 2018
		<u>\$ 19,658,412</u>	<u>\$ 19,517,490</u>
<u>Changes for the year:</u>			
Service cost		659,580	607,284
Interest		694,859	767,822
Change in benefit terms		-	-
Differences between expected and actual experience		-	-
Changes in assumptions or other inputs		(997,454)	1,291,319
Benefit payments		<u>(497,907)</u>	<u>(574,254)</u>
Net Changes		<u>\$ (140,922)</u>	<u>\$ 2,092,171</u>
	Balance ending at:	June 30, 2018	June 30, 2019
		<u><u>\$ 19,517,490</u></u>	<u><u>\$ 21,609,661</u></u>

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District's OPEB liability for fiscal year ended June 30, 2019, see "APPENDIX - E" attached hereto.

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

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

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

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

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

Other Information

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

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 and is attached hereto as "APPENDIX – E". Certain financial information of the District can be found attached as Appendices to the Continuing Disclosure 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, 2020

Summary unaudited projected information for the General Fund for the period ending June 30, 2020 is as follows:

Projected Revenues:	\$ 10,707,171
Projected Expenditures:	<u>10,316,332</u>
Projected Excess (Deficit) Revenues Over Expenditures:	<u>\$ 390,839</u>
Total General Fund Balance at June 30, 2019:	\$ 2,529,142
Total Projected General Fund Balance at June 30, 2020:	\$ 2,919,981

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

New York State Comptroller Reports 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 October 30, 2015. The purpose of the audit was to determine whether District officials are ensuring that meals offered to students were nutritious and prepared economically for the period July 1, 2013 through February 23, 2015. Key findings and recommendations as outlined in the audit report are outlined below:

Key Findings:

- The District serves nutritious meals to its students but meals cost more to prepare than the revenue generated by the meal sales.

Key Recommendations:

- District officials should closely monitor cafeteria operations, continue to control costs and make changes to their operations that could increase student participation and generate more revenue.

The District provided a complete response to the State Comptroller's audit report. 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 its most recent audit report of the District on March 13, 2020. The purpose of the audit was to determine whether the Board and District officials effectively managed fund balance for the period July 1, 2018 through November 5, 2019. Key findings and recommendations as outlined in the audit report are outlined below:

Key Findings

- The Board appropriated approximately \$929,100 in fund balance from 2016-17 through 2018-19 and did not use any of that amount to fund operations because of generated operating surpluses.
- As of June 30, 2019, surplus fund balance totaled approximately \$972,000, exceeding the statutory limit by approximately \$535,000 or 5 percentage points.
- When unused appropriated fund balance was added back to the surplus fund balance, it totaled over \$1.1 million, exceeding the statutory limit by approximately \$680,500 or 6 percentage points.

Key Recommendations

- Adopt budgets that include reasonable estimates for appropriations and the amount of fund balance that will be used to fund operations.
- Reduce surplus fund balance to comply with the statutory limit and use excess funds in a manner beneficial to taxpayers.

The District provided a complete response to the State Comptroller's audit report. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other recent State Comptroller's audits of the District, nor any that are currently in progress or pending release.

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein, nor incorporation thereof.

The State Comptroller's Fiscal Stress Monitoring System

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

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

The reports of the State Comptroller for the 2015 through 2019 fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2019	No Designation	0.0
2018	No Designation	3.3
2017	No Designation	3.3
2016	No Designation	10.0

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

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein, nor incorporation thereof.

TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Burlington	\$ 47,097,687	\$ 47,693,320	\$ 47,763,248	\$ 47,776,637	\$ 47,866,357
Edmeston	68,180,175	68,874,808	69,006,023	69,689,349	70,205,663
Exeter	2,290,510	2,289,291	2,287,080	2,238,951	2,185,157
New Lisbon	15,046,328	15,162,433	15,187,961	15,231,067	15,324,615
Otsego	4,852,982	5,435,854	5,436,358	5,694,656	6,391,370
Pittsfield	1,803,964	1,803,964	1,863,614	1,913,650	1,918,287
Plainfield	414,800	414,800	409,500	384,500	385,253
Brookfield	2,127,688	2,130,067	2,129,567	2,126,524	2,124,741
Total Assessed Values	<u>\$ 141,814,134</u>	<u>\$ 143,804,537</u>	<u>\$ 144,083,351</u>	<u>\$ 145,055,334</u>	<u>\$ 146,401,443</u>

State Equalization Rates

Towns of:					
Burlington	56.00%	56.00%	56.50%	56.00%	49.91%
Edmeston	60.00%	60.00%	59.00%	59.00%	56.60%
Exeter	58.31%	56.86%	53.79%	56.00%	48.87%
New Lisbon	114.60%	115.93%	113.13%	109.02%	106.22%
Otsego	118.12%	100.00%	100.00%	100.00%	100.00%
Pittsfield	61.76%	61.70%	56.84%	56.50%	56.00%
Plainfield	121.34%	115.22%	113.35%	100.00%	99.00%
Brookfield	98.00%	98.00%	98.00%	97.00%	94.00%
Total Taxable Full Valuation	<u>\$ 224,336,633</u>	<u>\$ 227,956,299</u>	<u>\$ 230,422,538</u>	<u>\$ 233,060,423</u>	<u>\$ 251,308,615</u>

Source: District officials.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Burlington	\$ 22.55	\$ 22.25	\$ 22.19	\$ 22.53	\$ 23.87
Edmeston	21.05	20.77	21.25	21.38	21.05
Exeter	21.66	21.92	23.30	22.53	24.38
New Lisbon	11.02	10.75	11.08	11.57	11.22
Otsego	12.63	12.46	12.54	12.62	11.92
Pittsfield	20.45	20.20	22.05	22.33	21.28
Plainfield	10.42	10.80	11.06	12.62	12.04
Brookfield	12.89	12.71	12.79	13.01	12.68

Source: District officials.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Tax Levy	\$ 2,512,805	\$ 2,132,796	\$ 2,552,091	\$ 2,601,970	\$ 2,654,009
Amount Uncollected ⁽¹⁾	313,437	288,660	284,516	284,145	297,270
% Uncollected	12.47%	13.53%	11.15%	10.92%	11.20%

⁽¹⁾ Includes amount exempted by STAR.

⁽²⁾ District taxes are made whole by the Counties. See "Tax Collection Procedure" herein.

Tax Collection Procedure

Tax payments are due September 1st. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged from October 1st to October 31st. On or about November 1st, uncollected taxes are returnable to the Counties of Otsego and Madison for collection. The District receives this amount of uncollected taxes from said Counties prior to the end of the District's fiscal year, thereby assuring 100% tax collection annually.

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 and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total Property Taxes & Other Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2014-2015	\$ 9,836,089	\$ 2,484,331	25.26%
2015-2016	10,053,948	2,519,534	25.06
2016-2017	10,378,721	2,509,940	24.18
2017-2018	10,550,417	2,560,750	24.27
2018-2019	10,777,447	2,611,466	24.23
2019-2020 (Unaudited)	10,707,171	2,589,014	24.18
2020-2021 (Budgeted)	10,638,125	2,654,009	24.95

Source: Audited financial statements of the District for the 2014-2015 through and including the 2018-2019 fiscal years and the adopted budget of the District for the 2019-2020 fiscal year. This table is not audited.

Ten Larger Taxpayers – 2019 Assessment Roll for 2019-20 District Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
New York Central Mutual	Insurance	\$ 8,139,400
Pathfinder Village	Residential Village	4,879,100
The State of New York	Utility	2,300,933
Otsego Electric Corp.	Utility	1,757,638
New York State Electric and Gas	Utility	1,538,971
Otsego Mutual Insurance Company	Insurance	790,400
The Osses Avalue Trust	Trust	724,800
Verizon	Utility	686,083
Norton, David	Residential	576,000
Camp Myristica	Residential	496,300

The ten larger taxpayers listed above have a total estimated assessed valuation of \$21,889,625, which represents 14.95% of the tax base of the District for the 2019-20 fiscal year.

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

Source: District officials.

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.

STAR – School Tax Exemption. The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$88,050 or less in 2020, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$68,700 for the 2019-20 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 Enacted State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the credit. Homeowners with STAR Adjusted Gross Income of \$250,000 have the option to elect the credit or the exemption. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

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

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Burlington	\$ 34,840	\$ 14,970	4/10/2020
Edmeston	39,510	16,980	4/10/2020
Exeter	34,240	14,950	4/10/2020
New Lisbon	74,140	31,870	4/10/2020
Otsego	81,580	35,060	4/10/2020
Pittsfield	39,090	16,800	4/10/2020
Plainfield	69,100	29,700	4/10/2020
Brookfield	65,610	28,200	4/10/2020

\$345,552 of the District’s \$2,654,009 school tax levy for the 2019-20 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2020.

Additional Tax Information

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

Senior citizens' exemptions and exemptions for persons with disabilities are offered to those who qualify.

The total valuation of the District is estimated to be categorized as follows: Residential-40%, Commercial-19% and Agricultural-40% and State Land-1%.

The estimated total annual property tax bill of a \$50,000 market value residential property located in the District is approximately \$2,000 including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Statutory Procedures

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

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 7,734,539	\$ 6,754,927	\$ 5,730,040	\$ 4,731,187	\$ 3,847,197
Bond Anticipation Notes	<u>0</u>	<u>1,305,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 7,734,539</u>	<u>\$ 6,754,927</u>	<u>\$ 5,730,040</u>	<u>\$ 4,731,187</u>	<u>\$ 3,847,197</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 31, 2020.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2021-2034	\$ 3,847,197
<u>Bond Anticipation Notes:</u>	--	<u>0</u>
	Total Indebtedness:	<u>\$ 3,847,197</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of July 31, 2020:

Full Valuation of Taxable Real Property	\$ 251,308,615
Debt Limit 10% thereof	25,130,861

Inclusions:

Bonds.....	\$ 3,847,197
Bond Anticipation Notes	0
Principal of this Issue	<u>3,000,000</u>

Total Inclusions..... \$ 6,847,197

Exclusions:

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

Total Net Indebtedness \$ 6,847,197

Net Debt-Contracting Margin..... \$ 18,283,664

The percent of debt contracting power exhausted is 27.25%

- ⁽¹⁾ Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing bonded debt. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building aid Estimate. Over the years the building aid ratio has been adjusted based on State legislative changes with an effective date tied to voter authorization dates. Based on preliminary 2020-21 Building Aid Ratios, the School District anticipates State Building aid of 85.4% for debt service on SED approved expenditures from July 1, 2004 to the present. The School 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 School District will receive in relation to its capital project indebtedness.

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

Bonded Debt Service

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

Capital Project Plans

On December 11, 2018, the qualified voters of the District approved a \$3.1 million capital improvements project consisting of reconstruction of the existing school building and facilities at an estimated maximum aggregate cost of \$3,100,000; with the expenditure of \$100,000 from current available funds for such costs, and the issuance of debt obligations not to exceed \$3,000,000. The issuance of the Notes represents the first phase in borrowing for this project.

The District annually issues bonds for bus financing, pending voter approval. On June 16, 2020, the voters of the District authorized \$138,500 for the purchase and finance of one 34-passenger school bus, one 8-passenger transit van, and one 5-passenger school bus.

Other than as stated above, the District has no other projects authorized or contemplated at this time or in the near future.

Cash Flow Borrowing

The District has not issued any revenue or tax anticipation notes in the past five fiscal years and does not anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future, pending any unforeseen impacts due to the COVID-19 pandemic. (see “State Aid” and “State aid history” herein)

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the District. Estimated bonds and bond anticipation notes are listed as of the close of the respective fiscal years of the below 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>Net Overlapping Indebtedness</u>
County of:						
Otsego	12/31/2018	\$ 5,489,315	\$ 4,489,315	\$ 1,000,000	5.24%	\$ 52,400
Madison	12/31/2018	32,694,668	2,413,668	30,281,000	0.05%	15,141
Town of:						
Burlington	12/31/2018	60,000	-	60,000	98.20%	58,920
Edmeston	12/31/2018	-	-	-	88.30%	-
Exeter	12/31/2018	-	-	-	5.76%	-
New Lisbon	12/31/2018	-	-	-	13.25%	-
Otsego	12/31/2018	-	-	-	0.72%	-
Pittsfield	12/31/2018	109,257	109,257	-	3.93%	-
Plainfield	12/31/2018	-	-	-	0.70%	-
Brookfield	12/31/2018	361,770	288,056	73,714	1.61%	1,187
					Total:	<u>\$ 127,647</u>

Notes:

- (1) Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any.
- (2) Water and sewer debt and/or appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Most recent available State Comptroller’s Special Report on Municipal Affairs for Local Finance Years Ended in 2018 for the counties and towns listed above.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of July 31, 2020:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 6,847,197	\$ 2,353.80	2.72%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	6,974,844	2,397.68	2.78

(a) The 2018 estimated population of the District is 2,909. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for the 2020 District tax roll is \$251,308,615. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is \$127,647. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

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

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

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

MARKET AND RISK FACTORS

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

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

The School 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 School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

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

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

Cybersecurity

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

COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances is extremely difficult to predict due

to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “State Aid”, “State Aid History” herein).

TAX MATTERS

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals in recent years generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

LEGAL MATTERS

The validity of the Notes will be covered by the unqualified legal opinion of Timothy R. McGill, Esq., Fairport, New York, Bond Counsel to the District, such opinion to be delivered with the Notes. The proposed form of such opinion is attached hereto as “APPENDIX – D”.

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 genuineness 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 Notes 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 Notes as the same respectively become due and payable; (iv) reference should be made to the 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 Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading. In particular, no opinion is expressed, or may be inferred, with respect to the direct or indirect effect of the COVID-19 pandemic and the federal, state and local government and private industry responses thereto (i) on the financial condition of the School District, or (ii) on the market price and fair market value of the Bonds and Notes at initial issuance or at any time thereafter.

LITIGATION

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

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

CONTINUING DISCLOSURE

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

Historical Continuing Disclosure Compliance History

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

RATINGS

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

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

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

MISCELLANEOUS

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

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

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

The Law Offices of Timothy R. McGill, Fairport, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

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

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

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

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

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

The District's contact information is as follows: Ms. Sonja Rusweiler, Business Manager, 11 North Street, P.O. Box 5129, Edmeston, New York 13335 telephone (607) 965-8931, fax (607) 965-8942, email srusweiler@edmeston.net.

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.

EDMESTON CENTRAL SCHOOL DISTRICT

Dated: July 31, 2020

JOHN E. HOLDORF
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 89,197	\$ 585,321	\$ 788,329	\$ 834,075	\$ 879,948
Restricted Cash	1,073,157	1,086,172	1,086,172	1,074,397	1,371,429
Other receivables, net	-	-	-	-	1,519
Due from Other Governments	241,489	266,690	209,596	228,256	232,736
State and Federal Aid Receivable	116,491	119,444	107,571	196,656	130,591
Due from Other Funds	139,039	226,817	222,646	349,818	389,568
	<u>139,039</u>	<u>226,817</u>	<u>222,646</u>	<u>349,818</u>	<u>389,568</u>
TOTAL ASSETS	<u><u>\$ 1,659,373</u></u>	<u><u>\$ 2,284,444</u></u>	<u><u>\$ 2,414,314</u></u>	<u><u>\$ 2,683,202</u></u>	<u><u>\$ 3,005,791</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ -	\$ -	\$ -	\$ 62,915	\$ -
Revenue Anticipation Notes Payable	-	-	-	-	-
Due to Other Funds	108,151	-	26,258	-	-
Due to Other Governments	-	-	-	-	-
Due to Teachers' Retirement System	525,347	418,246	385,062	324,992	367,742
Due to Employees' Retirement System	49,152	44,856	30,884	36,033	33,907
Deferred Revenue	-	-	-	-	-
Deferred Revenue - Planned Balance	75,000	75,000	75,000	75,000	75,000
	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
TOTAL LIABILITIES	<u>757,650</u>	<u>538,102</u>	<u>517,204</u>	<u>498,940</u>	<u>476,649</u>
<u>FUND EQUITY</u>					
Restricted	\$ 1,073,157	\$ 1,086,172	\$ 1,086,172	\$ 1,074,397	\$ 1,371,429
Unreserved:					
Appropriated	227,837	201,000	201,000	119,963	185,739
Unappropriated	403,503	459,170	609,938	989,902	971,974
	<u>403,503</u>	<u>459,170</u>	<u>609,938</u>	<u>989,902</u>	<u>971,974</u>
TOTAL FUND EQUITY	<u>1,704,497</u>	<u>1,746,342</u>	<u>1,897,110</u>	<u>2,184,262</u>	<u>2,529,142</u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 2,462,147</u></u>	<u><u>\$ 2,284,444</u></u>	<u><u>\$ 2,414,314</u></u>	<u><u>\$ 2,683,202</u></u>	<u><u>\$ 3,005,791</u></u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES					
Real Property Taxes	\$ 2,107,223	\$ 2,062,755	\$ 2,058,319	\$ 2,187,136	\$ 2,171,187
Other Tax Items	377,108	456,779	451,621	373,614	440,279
Charges for Services	32,890	53,758	54,731	56,515	61,913
Use of Money & Property	1,780	3,965	6,811	9,483	17,903
Sale of Property and Compensation for Loss	35,193	29,545	36,896	44,718	50,005
Miscellaneous	221,061	138,688	161,827	146,901	174,588
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	7,060,834	7,308,458	7,523,516	7,732,050	7,852,823
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	<u>\$ 9,836,089</u>	<u>\$ 10,053,948</u>	<u>\$ 10,293,721</u>	<u>\$ 10,550,417</u>	<u>\$ 10,768,698</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>8,749</u>
Total Revenues and Other Sources	<u>9,836,089</u>	<u>10,053,948</u>	<u>10,378,721</u>	<u>10,550,417</u>	<u>10,777,447</u>
EXPENDITURES					
General Support	\$ 1,068,647	\$ 1,161,762	\$ 1,219,702	\$ 1,183,510	\$ 1,156,300
Instruction	4,300,273	4,360,390	4,489,892	4,588,720	4,596,936
Pupil Transportation	509,513	533,269	536,248	586,136	581,614
Community Services	-	-	-	-	-
Employee Benefits	2,245,800	2,342,644	2,375,345	2,275,448	2,290,844
Debt Service	1,491,334	1,475,729	1,474,516	1,491,409	1,510,926
Total Expenditures	<u>\$ 9,615,567</u>	<u>\$ 9,873,794</u>	<u>\$ 10,095,703</u>	<u>\$ 10,125,223</u>	<u>\$ 10,136,620</u>
Other Uses:					
Interfund Transfers	<u>46,130</u>	<u>138,309</u>	<u>132,247</u>	<u>138,042</u>	<u>295,947</u>
Total Expenditures and Other Uses	<u>9,661,697</u>	<u>10,012,103</u>	<u>10,227,950</u>	<u>10,263,265</u>	<u>10,432,567</u>
Excess (Deficit) Revenues Over Expenditures	<u>174,392</u>	<u>41,845</u>	<u>150,771</u>	<u>287,152</u>	<u>344,880</u>
FUND BALANCE					
Fund Balance - Beginning of Year	1,530,105	1,704,497	1,746,342	1,897,110	2,184,262
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,704,497</u>	<u>\$ 1,746,342</u>	<u>\$ 1,897,113</u>	<u>\$ 2,184,262</u>	<u>\$ 2,529,142</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:	2019			2020	2021
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes	\$ 2,158,524	\$ 2,171,187	\$ 2,171,187	\$ 2,654,009	\$ 2,654,009
Other Tax Items	451,946	439,283	440,279	-	-
Charges for Services	56,373	56,373	61,913	-	-
Use of Money & Property	5,000	5,000	17,903	-	-
Sale of Property and Compensation for Loss	33,000	33,000	50,005	-	-
Miscellaneous	45,000	45,000	174,588	247,564	91,600
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	7,849,543	7,849,543	7,852,823	7,719,435	7,447,516
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	<u>\$ 10,599,386</u>	<u>\$ 10,599,386</u>	<u>\$ 10,768,698</u>	<u>\$ 10,621,008</u>	<u>\$ 10,193,125</u>
Other Sources:					
Interfund Transfers	-	-	8,749	154,000	365,000
Total Revenues and Other Sources	<u>10,599,386</u>	<u>10,599,386</u>	<u>10,777,447</u>	<u>10,775,008</u>	<u>10,558,125</u>
EXPENDITURES					
General Support	\$ 1,182,486	\$ 1,195,948	\$ 1,156,300	\$ 1,299,503	\$ 1,363,811
Instruction	4,892,163	5,037,028	4,596,936	5,100,431	4,796,511
Pupil Transportation	611,831	650,838	581,614	666,407	595,279
Community Services	-	-	-	-	-
Employee Benefits	2,504,408	2,308,860	2,290,844	2,408,100	2,419,955
Debt Service	1,510,748	1,510,928	1,510,926	1,320,886	1,337,569
Total Expenditures	<u>\$ 10,701,636</u>	<u>\$ 10,703,602</u>	<u>\$ 10,136,620</u>	<u>\$ 10,795,327</u>	<u>\$ 10,513,125</u>
Other Uses:					
Interfund Transfers	122,250	295,947	295,947	125,000	125,000
Total Expenditures and Other Uses	<u>10,823,886</u>	<u>10,999,549</u>	<u>10,432,567</u>	<u>10,920,327</u>	<u>10,638,125</u>
Excess (Deficit) Revenues Over Expenditures	<u>(224,500)</u>	<u>(400,163)</u>	<u>344,880</u>	<u>(145,319)</u>	<u>(80,000)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	224,500	400,163	2,184,262	145,319	80,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,529,142</u>	<u>\$ -</u>	<u>\$ -</u>

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2021	\$ 872,197	\$ 138,268	\$ 1,010,465
2022	615,000	108,628	723,628
2023	590,000	84,438	674,438
2024	560,000	60,179	620,179
2025	520,000	36,538	556,538
2026	90,000	12,675	102,675
2027	90,000	10,200	100,200
2028	95,000	7,500	102,500
2029	100,000	4,650	104,650
2030	55,000	1,650	56,650
TOTALS	\$ 3,587,197	\$ 464,724	\$ 4,051,921

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2011 DASNY			2014 Refunding of 2006 Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 355,000	\$ 97,750	\$ 452,750	\$ 250,000	\$ 5,000	\$ 255,000
2022	370,000	80,000	450,000	-	-	-
2023	390,000	61,500	451,500	-	-	-
2024	410,000	42,000	452,000	-	-	-
2025	430,000	21,500	451,500	-	-	-
TOTALS	\$ 1,955,000	\$ 302,750	\$ 2,257,750	\$ 250,000	\$ 5,000	\$ 255,000

Fiscal Year Ending June 30th	2015 Various Capital Projects		
	Principal	Interest	Total
2021	\$ 75,000	\$ 23,569	\$ 98,569
2022	80,000	21,600	101,600
2023	85,000	19,500	104,500
2024	85,000	17,269	102,269
2025	90,000	15,038	105,038
2026	90,000	12,675	102,675
2027	90,000	10,200	100,200
2028	95,000	7,500	102,500
2029	100,000	4,650	104,650
2030	55,000	1,650	56,650
TOTALS	\$ 845,000	\$ 133,650	\$ 978,650

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2015 Bus Bond		
	Principal	Interest	Total
2021	\$ 42,197	\$ 1,308	\$ 43,505
TOTALS	\$ 42,197	\$ 1,308	\$ 43,505

Fiscal Year Ending June 30th	2017 Bus Bond			2017 Bus Bond		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 45,000	\$ 1,603	\$ 46,603	\$ 45,000	\$ 2,753	\$ 47,753
2022	50,000	563	50,563	50,000	1,915	51,915
2023	-	-	-	50,000	708	50,708
TOTALS	\$ 95,000	\$ 2,166	\$ 97,166	\$ 145,000	\$ 5,375	\$ 150,375

Fiscal Year Ending June 30th	2018 Bus Bond			2019 Bus Bond		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 60,000	\$ 3,555	\$ 63,555	\$ 45,000	\$ 6,816	\$ 51,816
2022	65,000	2,730	67,730	50,000	3,556	53,556
2023	65,000	1,820	66,820	55,000	2,578	57,578
2024	65,000	910	65,910	55,000	1,547	56,547
2025	-	-	-	55,000	516	55,516
TOTALS	\$ 255,000	\$ 9,015	\$ 264,015	\$ 260,000	\$ 15,013	\$ 275,013

MATERIAL EVENT NOTICES

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

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

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

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

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

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

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

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

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

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

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

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FORM OF BOND COUNSEL'S OPINION

LAW OFFICES

OF

Timothy R. McGill

248 WILLOWBROOK OFFICE PARK
FAIRPORT, NEW YORK 14450

Kristine M. Bryant
Paralegal

Tel: (585) 381-7470
Fax: (585) 381-7498

August 27, 2020

Board of Education of the
Edmeston Central School District
Otsego and Madison Counties, New York

Re: ***Edmeston Central School District***
\$3,000,000 Bond Anticipation Note, 2020 (New Issue)

Dear Board Members:

I have examined a record of proceedings relating to the issuance of a \$3,000,000 principal amount Bond Anticipation Note, 2020 (New Issue) of the Edmeston Central School District, a school district of the State of New York. The Note is [registered to _____/in book-entry-only form registered to "Cede & Co.,"] dated August 27, 2020, is numbered 2020A-1, bears interest at the rate of _____ per centum (____%) per annum payable at maturity, matures August 27, 2021, and is issued pursuant to the Local Finance Law of the State of New York and a bond resolution adopted January 10, 2019, authorizing obligations in the maximum aggregate principal amount of up to \$3,000,000. The proposition approving the matters set forth in the bond resolution was approved by the voters of the School District on December 11, 2018. The Note is not subject to redemption prior to maturity. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In my opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the Edmeston Central School District, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from ad valorem taxes that may be levied upon all the taxable real property within the School District without limitation as to rate or amount.

The School District has covenanted to comply with any requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Note in order that interest thereon be and remain excludable from gross income under the Code. In my opinion, under the existing statute, regulations and court decisions, interest on the Note is excludable from gross income for Federal income tax purposes under Section 103 of the Code and will continue to be so excluded if the School District continuously complies with such covenant; and under the Code, interest on the Note is not a specific preference item for purposes of the Federal alternative minimum tax. I express no opinion regarding other Federal income tax consequences caused by the receipt or accrual of interest on the Note. Further, in my opinion, interest on the Note is exempt from New York State and New York City personal income taxes under existing statutes.

Board of Education of the
Edmeston Central School District
August 27, 2020

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In rendering the opinions expressed herein, I have assumed the accuracy and truthfulness of all public records, documents and proceedings examined by me which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and I also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings, and such certifications. The scope of my engagement in relation to the issuance of the Note has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the School District, together with other legally available sources of revenue, if any, will be sufficient to enable the School District to pay the principal of and interest on the Note as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the School District in relation to the Note for factual information which, in the judgment of the School District, could materially affect the ability of the School District to pay such principal and interest. While I have participated in the preparation of such Official Statement, I have not verified the accuracy, sufficiency, completeness or fairness of the Official Statement or any factual information contained therein or any additional proceedings, reports, correspondence, financial statements or other documents containing financial or other information relative to the School District or the financed project and, accordingly, I express no opinion as to whether the School District, in connection with the sale of the Note, 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. In particular, no opinion is expressed, or may be inferred, with respect to the direct or indirect effect of the COVID-19 pandemic and the federal, state and local government and private industry responses thereto (i) on the financial condition of the School District, or (ii) on the market price and fair market value of the Notes at initial issuance or at any time thereafter.

Very truly yours,

Timothy R. McGill, Esq.

TRM:

**EDMESTON CENTRAL SCHOOL DISTRICT
OTSEGO AND MADISON COUNTIES, NEW YORK**

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2019

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.

The District's independent auditor has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The District's independent auditor also has not performed any procedures relating to this Official Statement.

EDMESTON CENTRAL SCHOOL DISTRICT

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RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Edmeston Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Edmeston Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Edmeston Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 fiduciary fund information of the Edmeston Central School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M9 and 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 an opinion on the financial statements that collectively comprise the Edmeston Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of the Edmeston Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edmeston Central School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Raymond Scheuss CPA R". The signature is fluid and cursive, with the letters "CPA R" written in a slightly more formal, blocky style at the end.

Claverack, New York
September 20, 2019

EDMESTON CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2019

INTRODUCTION

The Edmeston Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position increased by \$382,124 from (\$7,859,491) to (\$7,477,367) in the districtwide financial statements.
- As of the close of this fiscal year, the District's general fund reported a fund balance of \$2,529,142, an increase of \$344,880 in comparison with the prior year.
- The District appropriated \$180,319 of the fund balance for subsequent years' expenditures. The District had reserved funds for employees' retirement in the amount of \$717,769, for teachers' retirement in the amount of \$64,415, for employee benefit accrued liability in the amount of \$564,245, and for unemployment in the amount of \$25,000 at June 30, 2019. These reserves are part of our fund balance management of balancing the taxpayer burden and to ensure a long term financial viability.
- The District purchased three buses for \$309,000. Also, the District started their \$3,100,000 Capital Project (which includes \$100,000 of General Fund Appropriations with the repair of the bus garage lift).
- The District started their 1:1 initiative in 2018-19 for educational equity for its students.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Districtwide Financial Statements	↔	Fund Financial Statements
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Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Changes in the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Other Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

DISTRICTWIDE FINANCIAL STATEMENTS

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Edmeston Central School District's Net Position June 30, 2019 and 2018

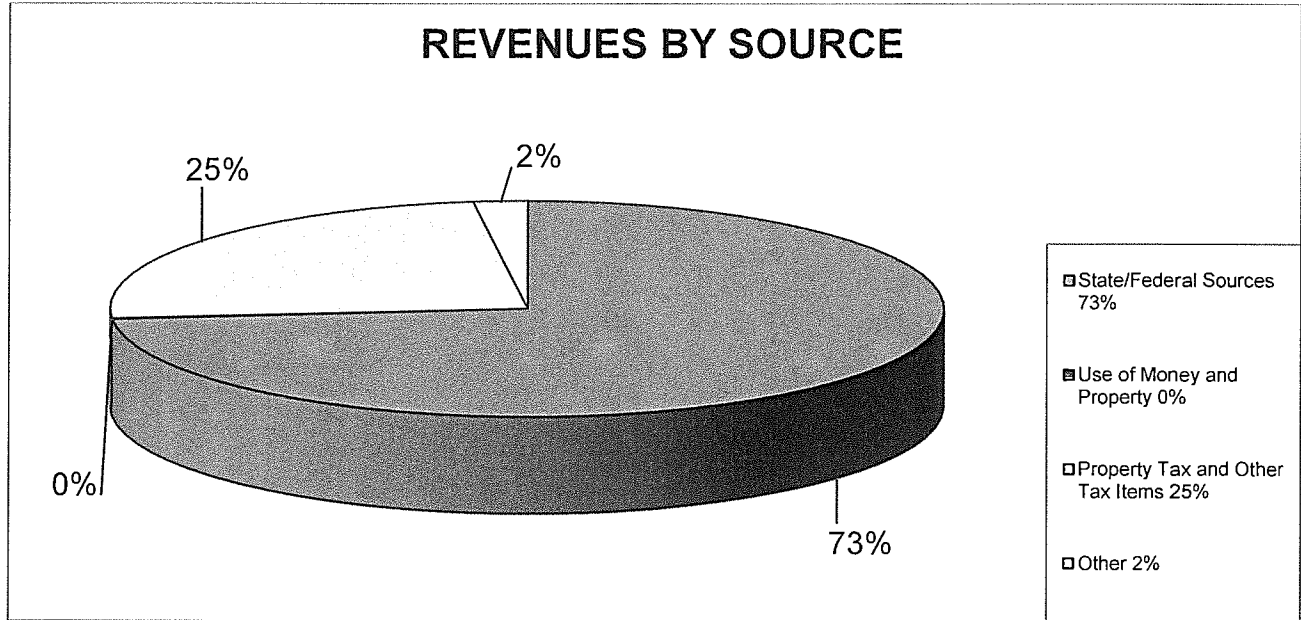
	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Current Assets	\$ 2,971,256	\$ 2,671,125	\$ 300,131
Capital Assets	14,898,437	15,017,542	(119,105)
Net Pension Asset	351,386	152,520	198,866
Total Assets	18,221,079	17,841,187	379,892
Deferred Outflows of Resources	3,187,405	2,340,167	847,238
Total Assets and Outflows of Resources	21,408,484	20,181,354	1,227,130
Current Liabilities	1,587,679	1,765,512	(177,833)
Noncurrent Liabilities	25,761,103	24,482,274	1,278,829
Net Pension Liability	192,398	94,773	97,625
Total Liabilities	27,541,180	26,342,559	1,198,621
Deferred Inflows of Resources	1,344,671	1,698,286	(353,615)
Total Liabilities and Inflows of Resources	28,885,851	28,040,845	845,006
Net Position:			
Investment in capital assets, net of related debt	10,167,250	9,296,253	870,997
Restricted	1,560,162	1,083,147	477,015
Unrestricted (deficit)	(19,204,779)	(18,238,891)	(965,888)
Total Net Position	\$ (7,477,367)	\$ (7,859,491)	\$ 382,124

**Edmeston Central School District's
Changes in Net Position
For the Years Ended June 30, 2019 and 2018**

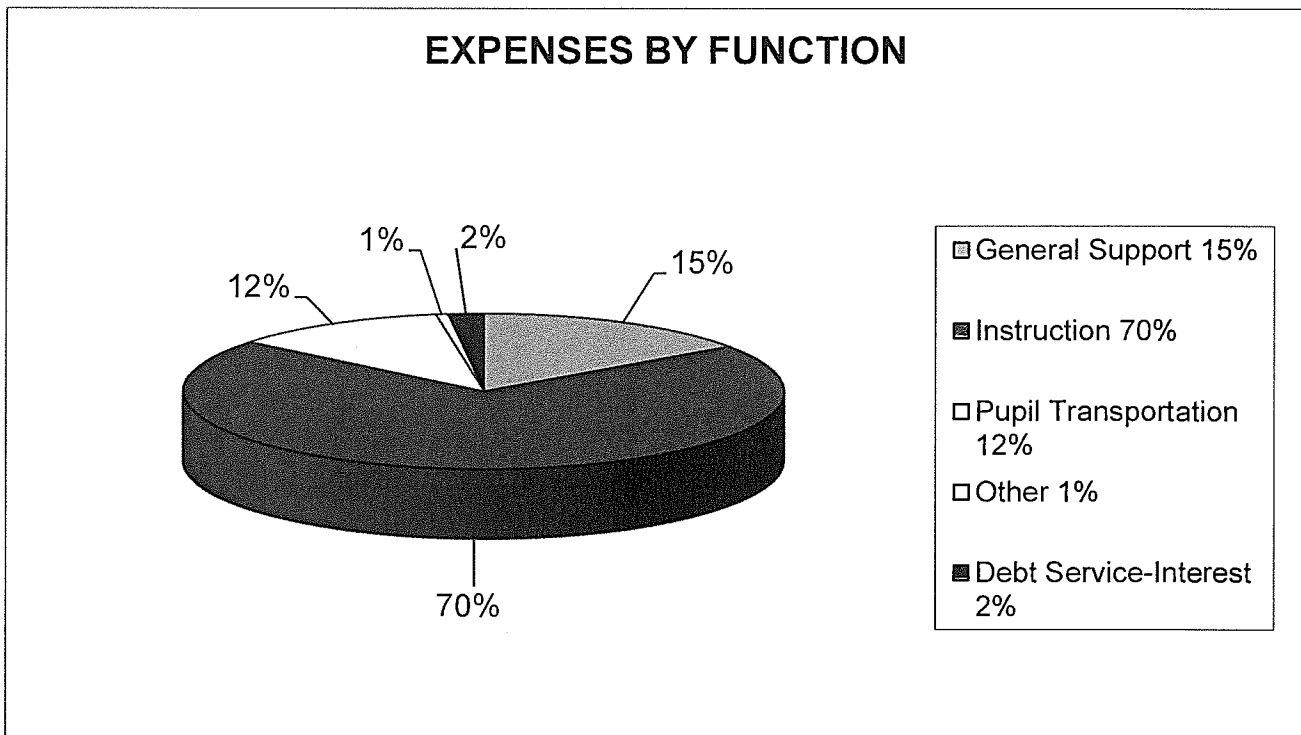
	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 138,966	\$ 133,355	\$ 5,611
Operating Grants and Contributions	583,229	591,765	(8,536)
Total Program Revenues	<u>\$ 722,195</u>	<u>\$ 725,120</u>	<u>\$ (2,925)</u>
General Revenues:			
Real Property Taxes	\$ 2,171,187	\$ 2,187,136	\$ (15,949)
Other Tax Items	440,279	373,614	66,665
Use of Money and Property	17,949	9,492	8,457
Sale of Property and Compensation for Loss	50,005	44,718	5,287
Miscellaneous	174,624	146,901	27,723
State Sources	7,852,823	7,732,050	120,773
Total General Revenues	<u>10,706,867</u>	<u>10,493,911</u>	<u>212,956</u>
<u>Expenses (Net of Program Revenues):</u>			
Instruction	7,289,324	7,207,348	81,976
Support Services:			
General Support	1,571,925	1,658,398	(86,473)
Pupil Transportation	1,198,031	1,127,789	70,242
Debt Service-Interest	199,115	232,149	(33,034)
Loss on Disposal of Capital Assets	-	32,009	(32,009)
School Lunch	66,348	57,919	8,429
Total Expenses	<u>10,324,743</u>	<u>10,315,612</u>	<u>9,131</u>
Change in Net Position	<u>\$ 382,124</u>	<u>\$ 178,299</u>	<u>\$ 203,825</u>

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:

Districtwide Revenues by Source
For the Year Ended June 30, 2019



Districtwide Expenses by Function
For the Year Ended June 30, 2019



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$2.5 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2019 and 2018.

	Fund Balance 2019	Fund Balance 2018	Variance Increase (Decrease)
General	\$ 2,529,142	\$ 2,184,262	\$ 344,880
School Lunch	(4,904)	(13,626)	8,722
Special Aid	2,994	2,992	2
Debt Service	-	8,749	(8,749)
Capital	(64,455)	(29,743)	(34,712)
Totals	<u>\$ 2,462,777</u>	<u>\$ 2,152,634</u>	<u>\$ 310,143</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2019</u>	<u>2018</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 2,611,466	\$ 2,560,750	\$ 50,716
Use of Money and Property	17,903	9,483	8,420
State/Federal Sources	7,852,823	7,732,050	120,773
Other	286,506	248,134	38,372
Operating Transfer In	8,749	-	8,749
Totals	<u>\$ 10,777,447</u>	<u>\$ 10,550,417</u>	<u>\$ 227,030</u>

<u>Expenses:</u>	<u>2019</u>	<u>2018</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 1,156,300	\$ 1,183,510	\$ (27,210)
Instruction	4,596,936	4,588,720	8,216
Pupil Transportation	581,614	586,136	(4,522)
Employee Benefits	2,290,844	2,275,448	15,396
Debt Service	1,510,926	1,491,409	19,517
Operating Transfer	295,947	138,042	157,905
Totals	<u>\$ 10,432,567</u>	<u>\$ 10,263,265</u>	<u>\$ 169,302</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$175,663. The adjustment was prior year encumbrances of \$25,663, transfer to Capital Fund-voter approved of \$100,000, and transfer to School Lunch-board approved of \$50,000.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2019 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 486,572
Construction in Progress	266,374
Buildings and Improvements	13,194,932
Machinery and Equipment	91,456
Vehicles	<u>950,559</u>
Total	<u>\$14,898,437</u>

The total decrease in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$119,105. The decrease to capital assets was attributable to the fact that the current year depreciation was more than the capital expenditures.

DEBT

The District had serial bonds in the amount of \$4,731,187 as of June 30, 2019 a net decrease of debt over the previous year of \$998,852.

The District has a refunding bond outstanding, the proceeds of which are in escrow to fund other previously existing debt. The refunding was done to reduce future interest payments.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2019, the District's general obligation debt was significantly lower than its total debt limit. The District has a bond rating of A from Standard & Poor's.

FACTORS BEARING ON THE DISTRICT'S FUTURE

As the District looks ahead, there continues to be many challenges to providing the same or increased level of services to students while sustaining its financial viability long into the future. The District continues to look at the unpredictability of revenue sources while also evaluating possibilities for reducing costs while still providing a high level of education to students.

Statewide discussions continue regarding the application of the State Aid Formula and inequities resulting from this. New York State faces the possibility of decreased federal funding and changes in tax revenue resulting from economic conditions, which results in uncertainty to Districts as to the amount of State Aid to be received from year to year. Furthermore, the lack of multi-year State Aid Projections makes it difficult for Districts to complete long term financial plans for necessary educational programming. Also, the District continues to operate under the Property Tax Cap of Chapter 97 of the Laws of 2011. This formula provides the maximum percentage increase allowable with a simple majority of votes. The total levy of the District remains at a level that is lower than those of surrounding communities, resulting in less dollars raised for each percentage increase in the levy. The uncertainty in State level funding, as well as the limitations of local revenue will continue to be a challenge to the District.

The District has experienced a trend of declining enrollment over time. The lower enrollment can negatively impact the State Aid formula mentioned above. The District also sees that while there may be a decline in the enrollment overall, there seems to be an increase in the number of students who receive additional services, resulting in additional costs, even when factoring in any additional State Aid that may result from these costs. If these costs continue to rise, the District will need to either find additional revenue sources, or find cost savings to offset these amounts.

Personnel costs, including salaries and benefits, continue to be one of the largest group of expenditures for the District. As a result of this, changes to these costs can significantly impact the costs to the district. Salary costs continue to rise as the District works to attract and retain strong employees. Health Insurance costs continue to be of concern due to the proposed changes being discussed at the Federal level. The District continues to be a member of the CASEBP consortium, which remains in good financial position. The consortium works to maintain reasonable increases when necessary, premiums are expected to continue to increase going forward.

The District is working to develop a capital improvement plan. This will result in a combination of continued Capital Outlay projects of \$100,000 or less, as well as larger projects with bond financing. Many of the improvements or repairs planned are a result of the last Building Condition Survey, as well as needs identified since it was completed.

The District continues to find ways to confront various challenges and deal with the volatility in both revenues and expenses while continuing to provide a sound education to our students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Edmeston Central School District
P.O. Box 5129
Edmeston, New York 13335

EDMESTON CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

ASSETS

Unrestricted cash	\$	910,215	
Restricted cash		1,371,429	
Other receivables, net		1,519	
State and federal aid receivable		440,709	
Due from other governments		232,736	
Due from fiduciary funds		6,838	
Inventories		7,810	
Capital assets, net		14,898,437	
Net pension asset		351,386	
Total Assets			<u>\$ 18,221,079</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	\$	2,073,453	
OPEB-GASB#75		1,113,952	
Total Deferred Outflows of Resources			<u>\$ 3,187,405</u>

LIABILITIES**Current Liabilities:**

Accounts payable	\$	28,254	
Accrued interest payable		10,210	
Due to other governments		295	
Due to teachers' retirement system		367,742	
Due to employees' retirement system		33,907	
Unearned revenue		3,281	

Long-Term Liabilities:**Due and payable within one year**

Bonds payable		<u>1,143,990</u>	
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Due and payable after one year

Bonds payable		3,587,197	
Compensated absences payable		564,245	
Other postemployment benefits payable		21,609,661	
Net pension liability - proportionate share		<u>192,398</u>	

Total Liabilities			<u>\$ 27,541,180</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions		546,225	
Planned balance		75,000	
OPEB-GASB 75		<u>723,446</u>	

Total Deferred Inflows of Resources			<u>\$ 1,344,671</u>
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NET POSITION

Net Investment in Capital Assets		10,167,250	
Restricted		1,560,162	
Unrestricted (deficit)		<u>(19,204,779)</u>	
Total Net Position			<u><u>\$ (7,477,367)</u></u>

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2019

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 1,154,780	\$ 417,145	\$ -	\$ -	\$ (1,571,925)
Instruction	5,063,508	2,732,264	61,913	444,535	(7,289,324)
Pupil transportation	592,348	619,049	-	13,366	(1,198,031)
Employee benefits	3,140,439	(3,140,439)	-	-	-
Debt service-interest	199,115	-	-	-	(199,115)
Depreciation and loss on disposal	690,275	(690,275)	-	-	-
School lunch program	206,473	62,256	77,053	125,328	(66,348)
Total Functions and Programs	\$ 11,046,938	\$ -	\$ 138,966	\$ 583,229	(10,324,743)
GENERAL REVENUES					
Real property taxes					2,171,187
Other tax items					440,279
Use of money and property					17,949
Sale of property and compensation for loss					50,005
Miscellaneous					174,624
State sources					7,852,823
Total General Revenues					10,706,867
Change in Net Position					382,124
Total Net Position - Beginning of year					(7,859,491)
Total Net Position - End of year					\$ (7,477,367)

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

June 30, 2019

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 910,215	\$ -	\$ -	\$ 910,215
Restricted cash	1,371,429	-	-	1,371,429
Other receivables, net	1,519	-	-	1,519
Due from other funds	389,568	-	(389,568)	-
Due from fiduciary funds	-	-	6,838	6,838
Due from other governments	232,736	-	-	232,736
State and federal aid receivable	440,709	-	-	440,709
Inventories	7,810	-	-	7,810
Capital assets, (net)	-	14,898,437	-	14,898,437
Net pension asset	-	351,386	-	351,386
Total Assets	<u>\$ 3,353,986</u>	<u>\$ 15,249,823</u>	<u>\$ (382,730)</u>	<u>\$ 18,221,079</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 2,073,453	\$ -	\$ 2,073,453
OPEB-GASB#75	-	1,113,952	-	1,113,952
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 3,187,405</u>	<u>\$ -</u>	<u>\$ 3,187,405</u>
LIABILITIES				
Accounts payable	\$ 28,254	\$ -	\$ -	\$ 28,254
Accrued interest payable	-	10,210	-	10,210
Bonds payable	-	4,731,187	-	4,731,187
Due to other funds	382,730	-	(382,730)	-
Due to other governments	295	-	-	295
Due to teachers' retirement system	367,742	-	-	367,742
Due to employees' retirement system	33,907	-	-	33,907
Other postemployment benefits payable	-	21,609,661	-	21,609,661
Compensated absences	-	564,245	-	564,245
Unearned revenue	3,281	-	-	3,281
Net pension liability- proportionate share	-	192,398	-	192,398
Total Liabilities	<u>\$ 816,209</u>	<u>\$ 27,107,701</u>	<u>\$ (382,730)</u>	<u>\$ 27,541,180</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 546,225	\$ -	\$ 546,225
Planned balance	75,000	-	-	75,000
OPEB-GASB 75	-	723,446	-	723,446
Total Deferred Inflows of Resources	<u>\$ 75,000</u>	<u>\$ 1,269,671</u>	<u>\$ -</u>	<u>\$ 1,344,671</u>
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	<u>\$ 2,462,777</u>	<u>\$ (9,940,144)</u>	<u>\$ -</u>	<u>\$ (7,477,367)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position	<u>\$ 3,353,986</u>	<u>\$ 18,437,228</u>	<u>\$ (382,730)</u>	<u>\$ 21,408,484</u>

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2019

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 2,171,187	\$ -	\$ -	\$ -	\$ 2,171,187
Other tax items	440,279	-	-	-	440,279
Charges for services	61,913	-	-	-	61,913
Use of money and property	17,949	-	-	-	17,949
Sale of property and compensation for loss	50,005	-	-	-	50,005
Miscellaneous	174,624	-	-	-	174,624
State sources	7,972,218	-	-	-	7,972,218
Federal sources	463,834	-	-	-	463,834
Sales - school lunch	77,053	-	-	-	77,053
Total Revenues	11,429,062	-	-	-	11,429,062
EXPENDITURES\EXPENSES					
General support	1,156,300	-	(1,520)	-	1,154,780
Instruction	5,061,824	21,648	(19,964)	-	5,063,508
Pupil transportation	598,322	-	(5,974)	-	592,348
Employee benefits	2,350,362	790,077	-	-	3,140,439
Debt service-principal	1,307,852	-	-	(1,307,852)	-
Debt service-interest	203,074	(3,959)	-	-	199,115
Cost of sales	206,473	-	-	-	206,473
Depreciation and loss on disposal	-	-	690,275	-	690,275
Capital outlay	543,712	-	(543,712)	-	-
Total Expenditures	11,427,919	807,766	119,105	(1,307,852)	11,046,938
Excess (Deficiency) of Revenues Over Expenditures	1,143	(807,766)	(119,105)	1,307,852	382,124
OTHER SOURCES AND USES					
Procceds from debt	309,000	-	-	(309,000)	-
Operating transfers in	304,696	(304,696)	-	-	-
Operating transfers (out)	(304,696)	304,696	-	-	-
Total Other Sources (Uses)	309,000	-	-	(309,000)	-
Net Change for the Year	\$ 310,143	\$ (807,766)	\$ (119,105)	\$ 998,852	\$ 382,124

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 879,948	\$ -	\$ 30,267	\$ -	\$ -	\$ 910,215
Restricted cash	1,371,429	-	-	-	-	1,371,429
Other receivables, net	1,519	-	-	-	-	1,519
Due from other governments	232,736	-	-	-	-	232,736
State and federal aid receivable	130,591	264,885	45,233	-	-	440,709
Due from other funds	389,568	-	-	-	-	389,568
Inventories	-	-	7,810	-	-	7,810
Total Assets	\$ 3,005,791	\$ 264,885	\$ 83,310	\$ -	\$ -	\$ 3,353,986
LIABILITIES						
Accounts payable	\$ -	\$ 10,279	\$ -	\$ -	\$ 17,975	\$ 28,254
Due to other funds	-	250,331	85,919	-	46,480	382,730
Due to other governments	-	-	295	-	-	295
Due to teachers' retirement system	367,742	-	-	-	-	367,742
Due to employees' retirement system	33,907	-	-	-	-	33,907
Unearned revenue	-	1,281	2,000	-	-	3,281
Total Liabilities	401,649	261,891	88,214	-	64,455	816,209
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources- planned balance	75,000	-	-	-	-	75,000
Total Deferred Inflows of Resources	75,000	-	-	-	-	75,000
Total Liabilities and Deferred Inflows of Resources	476,649	261,891	88,214	-	64,455	891,209
FUND BALANCES						
Non-spendable	-	-	7,810	-	-	7,810
Restricted	1,371,429	-	-	-	-	1,371,429
Assigned	185,739	2,994	-	-	-	188,733
Unassigned (Deficit)	971,974	-	(12,714)	-	(64,455)	894,805
Total Fund Balance	2,529,142	2,994	(4,904)	-	(64,455)	2,462,777
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,005,791	\$ 264,885	\$ 83,310	\$ -	\$ -	\$ 3,353,986

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
FUNDS
For Year Ended June 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 2,171,187	\$ -	\$ -	\$ -	\$ -	\$ 2,171,187
Other tax items	440,279	-	-	-	-	440,279
Charges for services	61,913	-	-	-	-	61,913
Use of money and property	17,903	-	46	-	-	17,949
Sale of property and compensation for loss	50,005	-	-	-	-	50,005
Miscellaneous	174,588	-	36	-	-	174,624
State sources	7,852,823	114,911	4,484	-	-	7,972,218
Federal sources	-	342,990	120,844	-	-	463,834
Sales	-	-	77,053	-	-	77,053
Total Revenues	10,768,698	457,901	202,463	-	-	11,429,062
EXPENDITURES						
General support	1,156,300	-	-	-	-	1,156,300
Instruction	4,596,936	464,888	-	-	-	5,061,824
Pupil transportation	581,614	16,708	-	-	-	598,322
Employee benefits	2,290,844	-	59,518	-	-	2,350,362
Debt service						
Principal	1,307,852	-	-	-	-	1,307,852
Interest	203,074	-	-	-	-	203,074
Cost of sales	-	-	206,473	-	-	206,473
Capital outlay	-	-	-	-	543,712	543,712
Total Expenditures	10,136,620	481,596	265,991	-	543,712	11,427,919
Excess (Deficiency) of Revenues Over Expenditures	632,078	(23,695)	(63,528)	-	(543,712)	1,143
OTHER SOURCES AND USES						
Proceeds from debt	-	-	-	-	309,000	309,000
Operating transfers in	8,749	23,697	72,250	-	200,000	304,696
Operating transfers (out)	(295,947)	-	-	(8,749)	-	(304,696)
Total Other Sources (Uses)	(287,198)	23,697	72,250	(8,749)	509,000	309,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	344,880	2	8,722	(8,749)	(34,712)	310,143
Fund Balance (Deficit) -Beginning of year	2,184,262	2,992	(13,626)	8,749	(29,743)	2,152,634
Fund Balance (Deficit) -End of year	\$ 2,529,142	\$ 2,994	\$ (4,904)	\$ -	\$ (64,455)	\$ 2,462,777

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Private Purpose Trusts	Agency
	<u> </u>	<u> </u>
ASSETS		
Unrestricted cash	\$ -	\$ 18,246
Restricted cash	<u>91,880</u>	<u>58,656</u>
Total Assets	<u><u>\$ 91,880</u></u>	<u><u>\$ 76,902</u></u>
 LIABILITIES		
Due to governmental funds	\$ -	\$ 6,838
Extraclassroom activity balances	-	58,656
Other liabilities	<u>-</u>	<u>11,408</u>
Total Liabilities	<u>-</u>	<u><u>\$ 76,902</u></u>
 NET POSITION		
Reserved for scholarships	<u><u>\$ 91,880</u></u>	

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2019

	Private Purpose Trusts
ADDITIONS	
Interest	\$ 80
Gifts & donations	<u>22,160</u>
Total Additions	<u>22,240</u>
 DEDUCTIONS	
Scholarships and awards	<u>17,200</u>
Change in Net Position	5,040
Net Position - Beginning of year	<u>86,840</u>
Net Position - End of year	<u><u>\$ 91,880</u></u>

See auditor's report. See notes to financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

The financial statements of the Edmeston Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A. **Reporting Entity**

The Edmeston Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Edmeston Central 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 are included in these financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Edmeston Central School District is one of 19 component school districts in the Otsego-Northern Catskills 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.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the 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, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2019, the Edmeston Central School District was billed \$1,178,752 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$502,414. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Districtwide Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes,

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

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

2. Fund Financial Statements

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

The District reports the following funds:

a. Major Governmental Funds

- (1) General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes 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.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

- (3) School Lunch Fund** – Used to account for transactions of the District’s lunch and breakfast programs.
- (4) Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. Fiduciary Funds

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

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

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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.

E. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 2. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County of Otsego. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

G. Restricted Resources

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

H. Interfund Transactions

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

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

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

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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

K. 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 that approximates market. 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 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 districtwide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under 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 portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

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

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Site Improvements	\$ 1,000	20
Buildings and Improvements	\$ 1,000	15-50
Furniture and Equipment	\$ 1,000	5-20
Vehicles	\$ 1,000	5-8

N. 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. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

N. **Compensated Absences (Continued)**

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

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

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

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

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

P. **Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The third item is related to the Planned Balance of the District.

R. Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed, and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. Short-Term Debt

The School District may issue Revenue and Tax Anticipation Notes in anticipation of 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 revenue anticipation and tax anticipation notes represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

U. Equity Classifications

1. Districtwide Statements

In the districtwide statements there are three classes of net position:

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

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

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$7,810.

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

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. **Unemployment Insurance**

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Employee Retirement Contributions

This reserve is used for future employee's retirement and teacher's retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 564,245
Unemployment Insurance	25,000
Employee Retirement Contributions	717,769
Teacher Retirement Contributions	64,415
Total restricted funds	<u>\$ 1,371,429</u>

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2019.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$5,420 and the assigned fund balance amounted to \$180,319.

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

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

W. Future Changes in Accounting Standards

GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

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

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

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

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

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

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

- a. Long-term revenue differences:
Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- b. Capital related differences:
Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences:
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- d. Pension differences:
Pension differences occur as a result of changes in the District’s proportion of the collective net pension asset/liability and differences between the District’s contributions and its proportionate share of the total contributions to the pension systems.

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

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

Original cost of capital assets	\$22,594,737
Accumulated depreciation	<u>7,696,300</u>
Capital assets, net	<u>\$14,898,437</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	<u>\$ 4,731,187</u>
OPEB obligations	<u>\$21,609,661</u>
Compensated Absences	<u>\$ 564,245</u>
Net Pension Liability-Proportionate Share	<u>\$ 192,398</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation and loss on disposal of \$690,275 was more than capital expenditures of \$571,170 in the current year.

Repayment of bond principal of \$1,307,852 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities decreased by \$3,959.

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note IX. for the financial statement impact of the implementation of the statement.

IV. Cash and Investments

A. Deposits

The Edmeston Central School District's investment policies are governed by State statutes. The Edmeston Central School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit Insurance. Obligations that may be pledged as collateral are: obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

B. Investment Pool

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 110-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held \$664,533 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The investment pool is categorically exempt from the New York State collateralization requirements.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Interfund Transaction

Interfund balances at June 30, 2019 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 389,568	\$ -	\$ 8,749	\$ 295,947
Special Aid Fund	-	250,331	23,697	-
School Lunch Fund	-	85,919	72,250	-
Capital Fund	-	46,480	200,000	8,749
Total governmental activities	<u>389,568</u>	<u>382,730</u>	<u>\$ 304,696</u>	<u>\$ 304,696</u>
Fiduciary Agency Fund	<u>-</u>	<u>6,838</u>		
Totals	<u>\$ 389,568</u>	<u>\$ 389,568</u>		

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

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

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
<u>Capital assets-not depreciated:</u>				
Land	\$ 486,572	\$ -	\$ -	\$ 486,572
Construction in progress	31,662	234,712	-	266,374
Total capital assets-not depreciated:	518,234	234,712	-	752,946
<u>Other capital assets:</u>				
Buildings and improvements	19,594,057	-	-	19,594,057
Machinery and equipment	782,486	25,559	51,987	756,058
Buses and vehicles	1,446,265	310,899	265,488	1,491,676
Total other capital assets:	21,822,808	336,458	317,475	21,841,791
<u>Less accumulated depreciation:</u>				
Buildings and improvements	5,992,651	406,474	-	6,399,125
Machinery and equipment	693,377	23,212	51,987	664,602
Buses and vehicles	637,472	181,434	186,333	632,573
Total accumulated depreciation	7,323,500	611,120	238,320	7,696,300
Other capital assets, net	14,499,308	(274,662)	79,155	14,145,491
Total	<u>\$ 15,017,542</u>	<u>\$ (39,950)</u>	<u>\$ (79,155)</u>	<u>\$ 14,898,437</u>

Depreciation expense and loss on disposal for the period was charged to governmental functions as follows:

General Support	\$ 6,152
Instruction	418,048
Transportation	263,337
School Lunch Program	2,738
	<u>\$690,275</u>

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	ERS	TRS
2019	\$134,355	\$324,992
2018	\$141,974	\$389,719
2017	\$138,032	\$416,663

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

At June 30, 2019, the District reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial valuation date	1-Apr-18	30-Jun-17
Net pension liability/(asset)	\$192,398	(\$351,386)
District's portion of the Plan's total net pension liability	.0027154%	.019432%
Change in proportion since the prior measurement date	(.0002211%)	(.000634%)

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

For the year ended June 30, 2019, the District's recognized pension expense of \$158,130 for ERS and \$271,704 for TRS. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$37,887	\$262,588	\$12,915	\$47,565
Changes of assumptions	48,361	1,228,326	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	49,380	390,066
Changes in proportion and differences between the District's contributions and proportionate share of contributions	72,780	42,164	9,834	36,465
District's contributions subsequent to the measurement date	33,907	347,440	0	0
Total	<u>\$192,935</u>	<u>\$1,880,518</u>	<u>\$72,129</u>	<u>\$474,096</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension 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:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 351,200
2020	\$ 68,715	\$ 238,121
2021	\$ (19,391)	\$ 24,212
2022	\$ 8,227	\$ 237,294
2023	\$ 29,348	\$ 163,544
Thereafter	\$ -	\$ 44,610

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

4. 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:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.20%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.25%

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

For ERS, the actuarial assumptions used in the April 1, 2018 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, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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 below:

Measurement date	<u>ERS</u> March 31, 2019	<u>TRS</u> June 30, 2018
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	36%	33%
International Equities	14%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate	10%	11%
Domestic fixed income securities	0%	16%
Global fixed income securities	0%	2%
Bonds and mortgages	17%	8%
Cash Equivalents	1%	0%
Inflation-Indexed bonds	4%	0%
High yield fixed income securities	0%	1%
Short-term	0%	1%
Alternative investments	<u>8%</u>	<u>0%</u>
	100%	100%

5. Discount Rate

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

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

6. Sensitivity of the Proportionate Share of Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% or ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension (asset) liability	\$841,193	\$192,398	(\$352,637)
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension (asset) liability	\$2,414,082	(\$351,386)	(\$2,668,080)

7. Pension Plan Fiduciary Net Position

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

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Employers' total pension liability	\$ (189,803,429)	\$ (118,107,254)
Plan Fiduciary Net Position	182,718,124	119,915,518
Employers' net pension liability/(asset)	(7,085,305)	1,808,264
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	96.2700%	101.5300%

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$33,907.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$367,742.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$203,074
Less interest accrued in the prior year	(14,169)
Plus, interest accrued in the current year	<u>10,210</u>
Total expense	<u>\$199,115</u>

2. Changes

	Restated Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019	Due Within One Year
Serial Bonds	\$ 5,730,039	\$ 309,000	\$ 1,307,852	\$ 4,731,187	<u>\$ 1,143,990</u>
Compensated Absences	542,597	21,648	-	564,245	
OPEB Obligations	19,517,490	2,092,171	-	21,609,661	
Net Pension Liability- Proportionate Share	<u>94,773</u>	<u>97,625</u>	<u>-</u>	<u>192,398</u>	
Totals	<u>\$ 25,884,899</u>	<u>\$ 2,520,444</u>	<u>\$ 1,307,852</u>	<u>\$ 27,097,491</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately. The compensated absences liability is totally covered by the Employee Benefit Accrued Liability Reserve.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2019
Serial Bonds:				
Construction	2015	2030	2.63%	\$ 920,000
Construction	2011	2025	3-5%	2,290,000
Buses	2016	2021	3.10%	84,394
Advanced Refunding	2014	2021	2%	755,000
Buses	2017	2021	2.13%	140,000
Buses	2014	2019	2.67%	42,793
Buses	2017	2022	2.40%	190,000
Buses	2018	2023	2.70%	309,000
Total				<u>\$ 4,731,187</u>

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2020	\$ 1,143,990	\$ 176,894	\$ 1,320,884
	2021	872,197	140,268	1,012,465
	2022	615,000	108,628	723,628
	2023	590,000	84,437	674,437
	2024	560,000	60,179	620,179
	2025 and thereafter	950,000	73,213	1,023,213
	Total	<u>\$ 4,731,187</u>	<u>\$ 643,619</u>	<u>\$ 5,374,806</u>

Prior-Year Defeasance of Debt

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the financial statements.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms- At June 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	56
Inactive plan employees entitled to but not yet receiving benefit payments	-
Active plan members	<u>74</u>
Total membership	<u>130</u>

B. Total OPEB Liability

The District's total OPEB liability of \$21,609,661 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	3.0%
Salary Increases	vary by pension retirement system membership
Discount Rate	3.51%
Healthcare Cost Trend Rates	5.5% for 2019, decreasing to an ultimate rate of 3.84% by 2075

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the April 1, 2010-March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 19,517,490</u>
<u>Changes for the Year</u>	
Service cost	607,284
Interest	767,822
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,291,319
Benefit payments	<u>(574,254)</u>
Net Changes	<u>2,092,171</u>
Balance at June 30, 2019	<u><u>\$ 21,609,661</u></u>

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	(2.51%) 1% Decrease	(3.51%) Current Discount Rate	(4.51%) 1% Increase
Total OPEB Liability	<u>\$26,936,694</u>	<u>\$21,609,661</u>	<u>\$19,113,556</u>

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 18,521,450</u>	<u>\$ 21,609,661</u>	<u>\$ 27,834,109</u>

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$841,215. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$1,113,952	(\$723,446)
Total	<u>\$1,113,952</u>	<u>(\$723,446)</u>

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

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2020	\$ 40,363
2021	40,363
2022	40,363
2023	40,363
2024	40,363
Thereafter	188,691

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Edmeston Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and 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 two years.

2. Workers' Compensation Insurance

The School District participates in a risk sharing pool consortium run by the Otsego-Northern Catskills BOCES, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Claims.

3. Grants

The School District has received grants, which are subject to audit by agencies of the State and Federal government. 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.

4. Health Insurance

The School District participates in the Otsego-Northern Catskills Consortium. The Consortium's purpose is to provide health insurance coverage at a lower rate for member educational institutions due to a large participation pool.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures

A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 2,462,777
Capital assets (net)	14,898,437
Net pension asset	351,386
Deferred outflows of resources	3,187,405
Bonds payable	(4,731,187)
Accrued interest payable	(10,210)
Net pension liability- proportionate share	(192,398)
Deferred inflows of resources	(1,269,671)
Compensated absences	(564,245)
OPEB obligations	(21,609,661)
Total net position	<u>\$ (7,477,367)</u>

EDMESTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures (Continued)**B. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Net changes in fund balance – total governmental funds	\$ 310,143
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	571,170
Depreciation and loss on disposal of assets is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(690,275)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	1,307,852
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2018/19 results in less expense.	3,959
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(309,000)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	75,898
Employees' Retirement System	(24,760)
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(841,215)
Compensated absences	<u>(21,648)</u>
Change in Net Position – Governmental Activities	<u>\$ 382,124</u>

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

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

Appropriations are adopted at the program line item level.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (When permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

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

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

EDMESTON CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time as the liability is incurred or the commitment is paid.
3. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2019, indicate that the unassigned fund balance is in excess of the legal limit.
4. The School Lunch Fund had a deficit fund balance of \$4,904. The primary factor for the decrease in the deficit was that revenues exceeded the cost of operations by \$8,722, which included a transfer from the General Fund in the amount of \$72,250. As there is no provision in the statute for operating this fund at a deficit, steps should be taken to operate this fund in a "breakeven" or profitable manner.
5. The Capital Fund had a deficit fund balance in the amount of \$64,455. The deficit will be eliminated by Smart Bond Money Aid and bonds.

XIII. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2019 to September 20, 2019.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 2,158,524	\$ 2,171,187	\$ 2,171,187	\$ -
Other tax items	451,946	439,283	440,279	996
Charges for services	56,373	56,373	61,913	5,540
Use of money and property	5,000	5,000	17,903	12,903
Sale of property and compensation for loss	33,000	33,000	50,005	17,005
Miscellaneous	45,000	45,000	174,588	129,588
Total Local Sources	<u>2,749,843</u>	<u>2,749,843</u>	<u>2,915,875</u>	<u>166,032</u>
State Sources	<u>7,849,543</u>	<u>7,849,543</u>	<u>7,852,823</u>	<u>3,280</u>
Total Revenues	<u>10,599,386</u>	<u>10,599,386</u>	<u>10,768,698</u>	<u>169,312</u>
Other Financing Sources				
Operating transfers in	-	-	8,749	8,749
Total Revenue and Other Financing Sources	<u>10,599,386</u>	<u>10,599,386</u>	<u>\$ 10,777,447</u>	<u>\$ 178,061</u>
Appropriated Reserves	-	25,663		
Appropriated Fund Balance	<u>224,500</u>	<u>374,500</u>		
Total Revenues, Other Financing Sources, Appropriated Reserves and Fund Balance	<u>\$ 10,823,886</u>	<u>\$ 10,999,549</u>		

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 2,100	\$ 2,695	\$ 2,375	\$ -	\$ 320
Central administration	153,690	153,994	153,509	350	135
Finance	212,915	212,915	204,644	-	8,271
Staff	25,757	27,274	27,273	-	1
Central services	591,307	602,353	573,550	19	28,784
Special items	196,717	196,717	194,949	-	1,768
Total General Support	1,182,486	1,195,948	1,156,300	369	39,279
Instruction					
Instruction, administration and improvement	192,472	197,196	175,203	903	21,090
Teaching - regular school	2,432,477	2,580,628	2,534,699	-	45,929
Programs for children with handicapping conditions	1,324,554	1,295,899	1,053,658	-	242,241
Occupational education	418,033	418,033	358,257	-	59,776
Instructional media	183,057	185,169	147,889	2,418	34,862
Pupil services	341,570	360,103	327,230	1,730	31,143
Total Instructional	4,892,163	5,037,028	4,596,936	5,051	435,041
Pupil Transportation	611,831	650,838	581,614	-	69,224
Employee Benefits	2,504,408	2,308,860	2,290,844	-	18,016
Debt Service					
Principal	1,307,852	1,307,852	1,307,852	-	-
Interest	202,896	203,076	203,074	-	2
Total Expenditures	10,701,636	10,703,602	10,136,620	5,420	561,562
OTHER FINANCING USES					
Operating transfers out	122,250	295,947	295,947	-	-
Total Expenditures and Other Financing Uses	\$ 10,823,886	\$ 10,999,549	10,432,567	\$ 5,420	\$ 561,562
Net change in fund balance			344,880		
Fund balance- Beginning			2,184,262		
Fund balance- Ending			\$ 2,529,142		

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2019

	<u>2019</u>
Total OPEB Liability	
Service Cost at end of year	\$ 607,284
Interest	767,822
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	1,291,319
Benefit payments	<u>(574,254)</u>
Net change in Total OPEB Liability	2,092,171
Total OPEB Liability- beginning	<u>19,517,490</u>
Total OPEB Liability- ending	<u><u>\$ 21,609,661</u></u>
Covered-employee payroll	3,469,864
Total OPEB Liability as a percentage of covered-employee payroll	622.80%

See paragraph on required supplementary information included in auditor's report

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2019

	<i>Teachers' Retirement System</i>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension asset/liability	.019432%	.020066%	.019619%	.019274%
District's proportionate share of the net pension (asset)/liability	\$ (351,386)	\$ (152,520)	\$ 210,130	\$ (2,001,975)
District's covered-employee payroll	\$ 3,271,560	\$ 3,165,296	\$ 3,179,778	\$ 3,166,978
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	10.74%	4.82%	6.60%	63.20%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%

	<i>Employees' Retirement System</i>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension liability	.0027154%	.0029365%	.0026442%	.0026538%
District's proportionate share of the net pension liability	\$ 192,398	\$ 94,773	\$ 248,456	\$ 425,938
District's covered-employee payroll	\$ 967,046	\$ 1,003,669	\$ 956,551	\$ 942,169
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.90%	9.44%	25.97%	45.20%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2019

Teachers' Retirement System

	2019	2018	2017	2016
Contractually required contribution	\$ 347,440	\$ 310,199	\$ 385,062	\$ 418,246
Contributions in relation to the contractually required contribution	<u>347,440</u>	<u>310,199</u>	<u>385,062</u>	<u>418,246</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 3,271,560</u>	<u>\$ 3,165,296</u>	<u>\$ 3,179,778</u>	<u>\$ 3,166,978</u>
Contributions as a percentage of covered employee payroll	10.6%	9.8%	12.1%	13.2%

Employees' Retirement System

	2019	2018	2017	2016
Contractually required contribution	\$ 134,355	\$ 141,974	\$ 138,032	\$ 157,056
Contributions in relation to the contractually required contribution	<u>134,355</u>	<u>141,974</u>	<u>138,032</u>	<u>157,056</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 967,046</u>	<u>\$ 1,003,669</u>	<u>\$ 956,551</u>	<u>\$ 942,168</u>
Contributions as a percentage of covered employee payroll	13.9%	14.1%	14.4%	16.6%

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
REAL PROPERTY TAX LIMIT
For Year Ended June 30, 2019

CHANGES FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$ 10,823,886
Additions:		
Prior year's encumbrances	\$ 25,663	
Transfer to capital-voter approved	100,000	
Transfer to school lunch-board approved	<u>50,000</u>	<u>175,663</u>
Final Budget		<u><u>\$ 10,999,549</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 Voter-approved Expenditure Budget	<u>\$ 10,073,627</u>
Maximum allowed (4% of 2019-2020 Budget)	<u>\$ 402,945</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 185,739
Unassigned fund balance	<u>971,974</u>
Total unrestricted fund balance	<u>\$ 1,157,713</u>

Less:	
Appropriated fund balance	180,319
Encumbrances included in committed and assigned fund balance	<u>5,420</u>
Total adjustments	<u>\$ 185,739</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 971,974</u></u>
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Actual percentage	9.63%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: 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.

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2019

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2019
			Prior Years	Current Year	Total		Proceeds of Obligations	Local Sources	Total	
Project-2018-19	\$ 100,000	\$ 100,000	\$ -	\$ 99,696	\$ 99,696	\$ 304	\$ -	\$ 100,000	\$ 100,000	\$ 304
Buses	309,000	309,000	-	309,000	309,000	-	309,000	-	309,000	-
Districtwide	3,100,000	3,100,000	-	18,069	18,069	3,081,931	-	100,000	100,000	81,931
Smart Bond	608,350	608,350	31,662	116,947	148,609	459,741	-	-	-	(148,609)
	<u>\$ 4,117,350</u>	<u>\$ 4,117,350</u>	<u>\$ 31,662</u>	<u>\$ 543,712</u>	<u>\$ 575,374</u>	<u>\$ 3,541,976</u>	<u>\$ 309,000</u>	<u>\$ 200,000</u>	<u>\$ 509,000</u>	<u>\$ (66,374)</u>

See paragraph on required supplementary information included in auditor's report.

EDMESTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Capital assets, net		\$ 14,898,437
Deduct:		
Short-term portion of bonds payable	\$ 1,143,990	
Long-term portion of bonds payable	<u>3,587,197</u>	<u>4,731,187</u>
Net investment in capital assets		<u><u>\$ 10,167,250</u></u>

See paragraph on required supplementary information included in auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

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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*

To the Board of Education of the
Edmeston Central School District:

We have audited, 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, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Edmeston Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edmeston Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edmeston Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edmeston Central School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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.

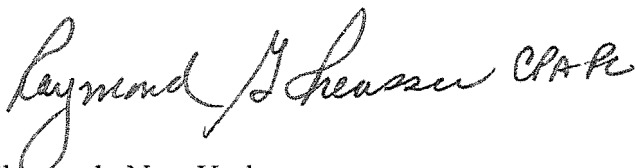
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Raymond J. Shearer CPA PC". The signature is written in a cursive, flowing style.

Claverack, New York
September 20, 2019

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

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Fax: (518) 851-6675

To the Board of Education of the
Edmeston Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Edmeston Central School District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Edmeston Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmeston Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmeston Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 20, 2019 on the financial statements of the Edmeston Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Fund Balance

Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2019, indicate that the unassigned fund balance is \$971,974 which is in excess of the legal limit by \$569,029.

Fixed Assets

During our audit of the fixed assets, we noted that the District did not perform a physical inspection of the asset inventory to determine that all assets are present. This is necessary to strengthen the internal control over inventory and also to ensure proper insurance coverage.

The fixed assets inventory process of the District needs to be more regularly addressed. A physical inventory should be performed periodically to ensure that all assets are intact, in their proper location and recorded properly in the fixed asset report.

Budget Transfers

The matter of effecting budgetary transfers is of critical importance to the efficient management of a district's fiscal affairs. It is important to note that such transfer authority has its basis in Section 170.2(I) of Commissioner's Regulations. This authorization is limited to transfers between and within districtwide (ST-3) function unit appropriations for teachers' salaries and ordinary contingent expenses.

Since the adopted budget is, at best, an estimated expenditure plan, it is not unusual for conditions to arise whereby transfers between or among function/object categories are required to maintain fiscal balance. Appropriately, Section 170.2(I) of Commissioner's Regulations provides for such transfers and permits the Board of Education to facilitate the procedure by authorizing "the Chief School Officer to make transfers within the limits as established by the Board."

During our audit, we noted that budget transfers were not always made on a timely basis.

We recommend that budget transfers are made prior to the authorization to expend from these codes.

Interfund Receivables/Payables:

During our audit, we noted that the Due From and Due To Other Funds were not reconciled on a monthly basis and as a result did not balance at year end.

We recommend that the Due From and Due To Other Funds be reconciled on a monthly basis to ensure accuracy within these accounts and funds.

School Lunch Fund

During our audit, we noted that the Fund had an operating loss of \$63,528 prior to a transfer of \$72,250 from the General Fund.

The Fund is indebted to the General Fund in the amount of \$85,919 at June 30, 2019, with insufficient funds to repay. However, the Fund did have a cash balance of \$30,267, which would have enabled it to repay a portion of the loan.

The overall deficiency is computed as follows:

Cash	\$ 30,267
Receivables	<u>45,233</u>
Funds Available	<u>75,500</u>
Liabilities	(88,214)
Cash Deficiency	<u>(\$12,714)</u>

During our audit of the operation, we noted that the District did not timely file requested reports and as a result the State held up sending your Federal and State Aid.

The Federal and State Aid Receivable increased from \$6,544 at June 30, 2018 to \$45,233 at June 30, 2019.

We recommend that the Board of Education establish a plan to eliminate the deficit along with the interfund payable.

Special Aid Fund

During our audit of the Special Aid Fund, we noted the following:

1. The Federal and State Aid Receivable increased from \$160,947 at June 30, 2018 to \$264,885 at June 30, 2019.
2. The indebtedness to the General Fund increased from \$154,460 at June 30, 2018 to \$250,331 at June 30, 2019.
3. The District was not timely requesting funds during the year. The District should be requesting funds on a monthly basis for all programs greater than \$100,000 and quarterly for programs less than \$100,000. We have noted improvement over the prior year.

The District can request up to 90% of the budgets during the year.

We recommend that the District resolve these issues as soon as possible so that the funds can be realized and indebtedness reduced.

Journal Entries

The preparation of journal entries is an integral part of the recordkeeping of the District. Journal entries should be prepared by the Treasurer and subsequently reviewed by the Business Official and signed off on as reviewed.

We ascertained that while journal entries are allegedly reviewed, they are not signed off on giving evidence of such a review. We recommend that this important procedure be completed.

Accurate Postings

During our audit, we noted numerous posting errors, which required that corrections be made. This particular type of error is such that some errors should occur only on a very limited basis. The District should inform the employee performing this function of the large number of errors and stress the need to exercise greater care. If this problem does not improve, a change is needed to eliminate this issue.

Monthly Reconciliation and Closing Procedures

Our audit procedures revealed that there is no systematic method of ensuring that timely and complete monthly reconciliations and closing procedures take place. And as such the Treasurer's Reports are not being submitted timely. This situation leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which renders the accounting information virtually useless in making well informed decisions. This accounting function disorganization could ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice.

The Board is required to review the financial status of all funds at a minimum on a quarterly basis but preferably on a monthly basis.

As it is imperative to have all financial data entered into the accounting system on a timely basis we recommend that the necessary actions be taken to ensure that this happens. The monthly Treasurer's Reports should include the Budget Status Reports for the previous month for all funds along with all cash account reconciliations for the previous month and a list of any budget transfers that need to be made for approval.

Overdraft


During our audit, we noted that the Special Aid Fund and Capital Fund checking accounts were overdrawn as of June 30, 2019.

We recommend that transfers be made in a timely and accurate manner to avoid bank overdrafts.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.



Raymond G. Preusser