PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing statutes, regulations, rulings, and court decisions, and assuming continuing compliance with certain tax certifications described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 as amended (the "Code"). Bond Counsel is also of the opinion that the interest on the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "TAX EXEMPTION" herein.

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

$17,950,800

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

ERIE COUNTY, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE NO. 489152

$16,000,000 Bond Anticipation Notes, 2021 Series A

(the "Series A Notes")

Dated: August 12, 2021 **Due: June 29, 2022**

&

$1,950,800 Bond Anticipation Notes, 2021 Series B

(the "Series B Notes" and collectively with the Series A Notes, the "Notes")

Dated: August 12, 2021 **Due: August 12, 2022**

The Notes will constitute general obligations of the Kenmore-Town of Tonawanda Union Free School District (the "School District" or the "District") and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. All the taxable real property within the District will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York.

The Notes will NOT be subject to redemption, in whole or in part, prior to their maturity. Interest on the Notes will be calculated on a 30-day month and a 360-day year basis and will be payable at maturity.

The Notes will be issued as registered notes and, at the option of the purchaser(s), each series of the Notes may be registered in the name of the purchaser(s) or may be registered to The Depository Trust Company ("DTC" or the "Securities Depository").

To the extent that either series of the Notes will be issued through DTC, such Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as the Securities Depository for such Notes. Individual purchases of such Notes will be made only in book-entry-form, in principal denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination with respect to the Series B Notes. Purchasers of such Notes will not receive certificates representing their ownership interest in such Notes. Payments of the principal of and interest on such Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of such Notes. If either series of the Notes are registered in the name of the purchaser(s), principal and interest on such Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Paying agent fees, if any, are to be paid by the purchaser(s). In such case, such Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination with respect to the Series B Notes, as may be determined by such successful bidder. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the unqualified legal opinions as to the validity of the Notes of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or as agreed upon with the purchaser(s), on or about August 12, 2021.

ELECTRONIC BIDS for each series of the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on July 29, 2021 by no later than 11:00 A.M. EDT. 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 respective series of the Notes pursuant to the terms provided in the Notice of Sales for the Notes.

July 26, 2021

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 THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO EACH SERIES OF THE NOTES. UNLESS BOTH SERIES OF THE NOTES ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT, AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX – C, DISCLOSURE UNDERTAKING" HEREIN.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

2021-2022 BOARD OF EDUCATION

MATTHEW CHIMERA
President

DR. THOMAS REIGSTAD
Vice President

JENNIFER MORROW
LESLEY BATTAGLIA
TODD MARQUARDT

* * * * *

SABATINO CIMATO
Superintendent of Schools

NICOLE MORASCO
Assistant Superintendent for Finance

MARGARET JEAN WEGLARSKI
School District Treasurer

GINA SANTA MARIA
School District Clerk

FISCAL ADVISORS & MARKETING, INC.
School District Municipal Advisor

HODGSON RUSS LLP
Bond Counsel & School District Attorney

No person has been authorized by the 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 School District.

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AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ending June 30, 2020

PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
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Syracuse, New York 13202
(315) 752-0051
http://www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

ERIE COUNTY, NEW YORK

Relating to

$16,000,000 Bond Anticipation Notes, 2021 Series A

&

$1,950,800 Bond Anticipation Notes, 2021 Series B

This Official Statement, which includes the cover page and appendicies, has been prepared by the Kenmore-Town of Tonawanda Union Free School District, Erie County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of its $16,000,000 principal amount of Bond Anticipation Notes, 2021 Series A (the "Series A Notes") and $1,950,800 Bond Anticipation Notes, 2021 Series B (the "Series B Notes" and collectively with the Series A Notes, 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.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "COVID-19," herein.

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, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. See "TAX LEVY LIMITATION LAW" herein.

The Series A Notes are dated August 12, 2021 and mature, without option of prior redemption, on June 29, 2022. The Series B Notes are dated August 12, 2021 and mature, without option of prior redemption, on August 12, 2022. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in denominations of $5,000 each or multiples thereof, except for one necessary odd denomination with respect to the Series B Notes, either (i) registered in the name of the purchaser, in certificated form with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) as "book entry" notes registered in the name of Cede & Co. as nominee of The Depository Trust Company ("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 – Series A Notes

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law, and pursuant to a bond resolution that was duly adopted by the Board of Education of the District (the "Board") on March 10, 2020, following a positive vote of the qualified voters of the District on February 5, 2020, authorizing the issuance of up to $75,000,000 of obligations of the District for a capital improvements project consisting of the reconstruction and renovation of, and the construction of improvements, additions and upgrades to, various District buildings and facilities.

The proceeds of the Notes will provide $16,000,000 of original financing for the above mentioned project.

Purpose of Issue – Series B Notes

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and pursuant to two bond resolutions that were duly adopted by the Board on (A) June 18, 2020 following a positive vote of the qualified voters of the District by absentee ballot on June 16, 2020, authorizing the issuance of up to $1,163,500 of obligations of the District for the purchase of school buses, similar vehicles and related equipment for use in the transportation program of the District, and (B) May 19, 2021 following a positive vote of the qualified voters of the District on May 18, 2021, authorizing the issuance of up to $1,020,000 of obligations of the District for the purchase of school buses (and related equipment) for use in the transportation program of the District.

The proceeds of the Notes, along with $232,700 of available funds of the District, will be used to redeem and renew, in part, a bond anticipation note of the District that was issued on August 14, 2020 and will provide $1,020,000 of original financing for the financing of the 2021 buses.

BOOK-ENTRY-ONLY SYSTEM

DTC 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

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 discontinued the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination with respect to the Series B Notes. 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 SCHOOL DISTRICT

General Information

The District is located in the Town of Tonawanda, which has a population of 71,675 according to a 2019 U.S. Census population estimate. The District is estimated to have a population of 65,868, has a land area of approximately 18 square miles and is situated in the northwest portion of the County along the Niagara River and adjacent to the northern boundary of the City of Buffalo. The incorporated Village of Kenmore with an estimated population of 15,423 is located wholly within the District and the Town of Tonawanda.

The District is residential and suburban in character and is part of Western New York's metropolitan area where there are seven colleges and universities and five community and junior colleges.

With an average annual increase of approximately 5.4% over the last five years, the District's full valuation continues to grow. Located within the District are many shopping centers, parks, recreational facilities and the following businesses and industries continue to be located within the District: General Motors Corp., E.I. DuPont de Nemours & Co., Praxair, Inc., Sonoco Fibre Drum, Goodyear-Dunlop Tire and General Electric Company. The public utilities located within the District are National Grid, National Fuel Corp, and Verizon.

Recent Economic Developments

The Huntley Power Plant, a coal-burning electrical generation plant located in the District, was closed in 2016, which meant the loss of approximately $3.06 million in PILOT revenues to the District per year, representing approximately 1.95% of the District's total budgeted 2016-17 revenues. District administration has mitigated this loss of revenue with spending cuts and an increase in property taxes. Additionally, recent State legislation (which was established as part of the State fiscal year 2016 budget and then modified as part of the State fiscal year 2018 budget) created a pool of $45 million in aid set aside to provide financial assistance to municipalities and school districts impacted by the closure of such coal burning facilities. The fund allows for up to 80% of lost revenue to be restored to school districts and municipalities in the first year of disbursement and declines by 10% each year over the course of seven years. The District was able to secure $1.4 million from this program in the 2019-20 and $1.1 million for the 2020-21 fiscal year. The District is not certain whether it will receive funding for the 2021-2022 fiscal year.

Source: District officials.

Population

The population of the District is estimated to be approximately 65,868. (Source: 2019 U.S. Census Bureau).

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Selected Wealth and Income Indicators

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

	Per Capita Income			Median Family Income		
	2000	2006-2010	2015-2019	2000	2006-2010	2015-2019
Town of:						
Tonawanda	$ 20,947	$ 23,463	$ 33,844	$ 51,416	$ 55,966	$ 82,564
County of:						
Erie	20,357	26,378	35,598	49,490	63,404	78,166
State of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

Note: 2016-2020 American Community Survey data is not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2015-2019 American Community Survey data.

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

	Annual Average							
	2013	2014	2015	2016	2017	2018	2019	2020
Erie County	7.4%	6.1%	5.3%	4.9%	5.1%	4.4%	4.3%	9.5%
New York State	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%	10.0%

	2021 Monthly Figures						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Erie County	7.8%	8.0%	7.1%	6.0%	5.3%	N/A	N/A
New York State	9.4%	9.7%	8.4%	7.7%	6.9%	N/A	N/A

Note: Unemployment rates for June 2021 are not available as of the date of this Official Statement. Unemployment increased in mid-March of 2020 due to the COVID-19 pandemic but has since decreased.

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

Form of School Government

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

The legislative power of the District is vested in the Board of Education (the "Board"), which consists of five members including the President and Vice President. Board members are elected for overlapping terms of three years. The administrative officers of the District, whose duty it is to implement the policies of the Board and who are appointed by such Board, include the Superintendent of Schools, Assistant Superintendent for Finance, District Clerk, and District Treasurer.

Financial Organization

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

Investment Policy/Permitted Investments

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys in banks and trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State; (4) with the approval of the State Comptroller, tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those bonds issued by the District; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of monies held in certain reserve funds established by the District pursuant to law, obligations of the District.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of instruments and investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Board had adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Budgetary Procedures

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors. Under current law, the budget is submitted to voter referendum on the third Tuesday in May each year.

Recent Budget Vote Results

The budget for the 2020-21 fiscal year was approved by qualified voters on June 16, 2020 by a vote of 7,150 to 2,660. The District's adopted budget for the 2020-21 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 2.59%, which is equal to the District's tax levy limit of 2.59%.

The budget for the 2021-22 fiscal year was approved by qualified voters on May 18, 2021 by a vote of 1,636 to 478. The District's adopted budget for the 2021-22 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.97%, which is equal to the District's tax levy limit of 1.97%.

State Aid

The District receives financial assistance from the State. In its proposed budget for the 2021-2022 fiscal year, approximately 37.41% 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 Tax Cuts and Jobs Act also made extensive changes to the deductibility of various taxes, including placing a cap of $10,000 on a taxpayer's deduction of state and local taxes (the "SALT Deduction Limitation"). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

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

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due the outbreak of COVID-19 the State declared a state of emergency, and the Governor took various steps designed to mitigate the spread and impacts of COVID-19. The outbreak of COVID-19 and the dramatic steps taken by the State to address it negatively impacted 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.

The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State's 2019-2020 fiscal year, and continuing during the State's 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-2021 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June, 2020 the State Division of the Budget ("DOB") began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State's 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the $1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost $24 billion in funding for various levels of government in the State, including approximately $12.5 billion for the State, $6 billion for New York City, and $4 billion to be divided among counties in the State; another $12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a $1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a $105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lottery Terminal ("VLT") facilities will receive a full restoration of $10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District. See "COVID-19," herein, for further details on the COVID-19 pandemic and its effects on the State.

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. 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 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 School 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.

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" herein).

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 of 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 2021-22 preliminary building aid ratios, the District expects to receive State building aid of approximately 74.1% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history:

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below, the COVID-19 outbreak has affected and is expected to continue to affect State aid to the District.

School district fiscal year (2016-2017): The State 2016-17 Enacted 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.

School district fiscal year (2017-2018): The State 2017-18 Enacted Budget increased State aid to education by $1.1 billion, including a $700 million increase in Foundation Aid, bringing the total amount of State aid to education to $25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-18 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State 2018-19 Enacted Budget included nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately $859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at $26.03 billion statewide, a 3.4% increase over the last year. The State 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 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected.

School district fiscal year (2019-2020): The State 2019-2020 Enacted Budget included 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.

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 was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was 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 in the school district fiscal year 2020-2021 was expected to total $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided 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 reflected current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget.

School district fiscal year (2021-2022): The State's 2021-2022 Enacted Budget included $29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a $1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of $13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of $629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, $105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. See "COVID-19," herein, for further details on the COVID-19 pandemic and its effects on the State.

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 in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

President Biden has signed into law the American Rescue Plan, a $1.9 trillion COVID-19 relief package that includes $350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional $1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits. The District has been allocated approximately $11.6 million in federal relief funding as part of the American Rescue Plan Act (ARP). Of this total, $3,000,000 is specifically earmarked for summer programming and supports to address learning loss.

Although the American Rescue Plan provides for funds to be paid to the State, it is not possible to predict whether any future federal legislation will contain reduction in other federal aid to the State. Any reduction in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

If the State's financial position were to change materially and adversely due to such actions by the federal government, the State could be required to take additional gap-closing actions. Such actions could include, but not be limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York_("CFE")* 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 *CFE* 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. While foundation aid has generally remained below the initially promised amounts, the State has announced, as part of the State's 2021-22 budget, that the final foundation aid phase in will take place over the next three years.

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 *CFE* case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *CFE* case that absent "gross education inadequacies", claims regarding State funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District comprised of State aid for each of the last five completed fiscal years as well as budgeted figures for the 2020-2021 and 2021-2022 fiscal years.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2015-2016	$ 150,648,157	$ 53,936,523	35.80%
2016-2017	154,208,702	57,968,652	37.59
2017-2018	159,601,964	62,396,166	39.09
2018-2019	162,213,833	60,997,320	37.60
2019-2020	162,078,522	60,914,767	36.98
2020-2021 (Budgeted)	160,679,474 (1)	59,425,000	37.06
2021-2022 (Budgeted)	164,226,830 (2)	61,432,839	37.41

(1) Does not include $8,400,000 of appropriated fund balance.

(2) Does not include $8,200,000 of appropriated fund balance.

Source: Audited financial statements for fiscal years 2015-2016 through and including 2019-2020, the adopted budgets of the District for the 2020-2021 and 2021-2022 fiscal years. This table is not audited.

District Facilities

The District currently operates the following facilities:

Name of School	Grades	Capacity	Year(s) Built/Additions
Edison Elementary	K-4	845	1954, ‘83
Franklin Elementary	K-4	745	1950, ‘97
Franklin Middle School	5-7	1,600	1952, ‘97
Holmes Elementary	K-4	620	1964, ‘84
Hoover Elementary	K-4	670	1951, ‘97
Hoover Middle School	5-7	2,000	1956, ‘97
Kenmore East High School	8-12	2,200	1959, ‘98
Kenmore West High School	8-12	2,400	1940, ‘98
Lindbergh Elementary	K-4	770	1928, ‘97

Buildings Leased or Rented	Capacity	Year(s) Built/Additions
Green Acres Elementary (Green Space)	605	1957, ‘97
Outbuildings:		
Central Office/Transportation Office		
Bus Garage	-	1956, ‘97
Longfellow:		1956, ‘84
Coaches Office and Field House	180	1956, ‘84
Parker Field House		
Crosby Field House		
Playground		‘96
Two Storage Facilities		1989, ‘89

Note: Sheridan Elementary school was sold in 2019.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2016-17	6,738	2021-22	6,517
2017-18	6,699	2022-23	6,452
2018-19	6,652	2023-24	6,387
2019-20	6,790	2024-25	6,323
2020-21	6,320	2025-26	6,300

Source: District officials.

District Employees

The School District provides services through approximately 1,700 employees. Information regarding the various bargaining units is as follows:

# of Employees	Union	Contract Expiration Date
791	Kenmore Teachers’ Association	June 30, 2024
241	KTA for Per Diem Substitute Teachers	June 30, 2020 [1]
22	Kenmore Administrators’ Association	June 30, 2023
689	Ken-Ton School Employee Association	June 30, 2021 [2]

[1] An agreement has been reached and is set to be voted on by the union.
[2] Currently under negotiations.

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, unaudited results for the 2020-2021 fiscal year and budgeted figures for the 2021-2022 fiscal years are as follows:

Fiscal Year	ERS	TRS
2015-2016	$ 3,386,702	$ 8,047,360
2016-2017	3,018,242	7,411,629
2017-2018	2,832,481	6,307,810
2018-2019	2,779,772	7,055,500
2019-2020	2,772,996	6,154,661
2020-2021 (Unaudited)	2,831,406	6,375,818
2021-2022 (Budgeted)	3,170,151	6,750,247

Source: District records.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District offered a retirement incentive to the teacher's union in the 2017-2018, 2018-2019, and 2019-2020 fiscal years. In 2017-2018 and 2018-2019 a one time $25,000 lump sum payout was offered to the employee's 403(b) account. In the 2019-2020 fiscal year a health care incentive was offered to first time eligible retirees. In 2017-2018 nine employees accepted the incentive resulting in a $619,000 savings for the District. In 2018-2019 ten employees accepted the incentive resulting in a $635,000 savings for the District. In 2019-2020 30 employees accepted the incentive resulting in a $1,800,000 savings for the District.

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 (2018 to 2022) is shown below:

Year	ERS	TRS
2017-2018	15.3%	9.80%
2018-2019	14.9	10.62
2019-2020	14.6	8.86
2020-2021	14.6	9.53
2021-2022	16.2	9.80 (Estimated)

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 State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that allows 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 are 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. The District established such reserve fund in the 2019 fiscal year.

Retirement System Assumptions. The investment of monies and assumptions underlying same, of the Retirement Systems covering the School District's employees is not subject to the direction of the School 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 School 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.

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

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 requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

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

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

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public 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 the District to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Actuarial valuation is required every two years for OPEB plans with more than 200 members, every three years if there are fewer than 200 members.

The District contracted with Burke Group, an actuarial firm, to calculate its actuarial valuation under GASB 75 for the fiscal years ending June 30, 2020 and 2021.

The following outlines the changes to the total OPEB Liability during the 2020 and 2021 fiscal years, by source.

Balance beginning at:	July 1, 2019	July 1, 2020
	$ 14,702,980	$ 15,545,484
Changes for the year:		
Service cost	445,042	510,868
Interest on total OPEB liability	488,436	371,356
Changes in Benefit Terms	1,370	27,436,759
Differences between expected and actual experience	(173,991)	1,154,117
Changes in Assumptions or other inputs	1,030,951	197,070
Benefit payments	(949,304)	(1,082,338)
Net Changes	$ 842,504	$ 28,587,832
Balance ending at:	June 30, 2020	June 30, 2021
	$ 15,545,484	**$ 44,133,316**

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District's OPEB liability see "APPENDIX - D" attached hereto.

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.

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.

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 the State and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

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

Other Information

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Notes are to be issued is the Education Law and 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.

Independent Audits

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

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

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

Fund Structure and Accounts

The General Fund is the general operating fund for the District which is used to account for substantially all financial resources except those accounted for in another fund. The General Fund accounts for substantially all revenues and expenditures of the District. Special Revenue Funds include: the Lunch Fund, the Special Aid Fund, the Public Library Fund, the School Store Fund and the Risk Retention Fund. A Capital Projects Fund is used to account for and report financial resources used to construct or acquire capital assets. The Debt Service Fund accounts for and reports on the resources used to redeem long-term indebtedness. Expendable trust funds and funds held in an agency capacity are accounted for in the Trust and Agency Fund. The District also maintains account groups for its General Fixed Asset Accounts and General Long-Term Debt Accounts in order to maintain accountability for its fixed assets and long-term debt, respectively.

Basis of Accounting

The District's governmental funds are accounted for on a modified accrual basis whereby revenues, other than those susceptible ("measurable" and "available" to finance current operations) to accrual, are recorded when received in cash. Revenues susceptible to accrual include real property taxes and State aid. The District generally records expenditures on the accrual basis when fund liabilities are incurred, except as follows: Interest on general obligation debt which is recorded when it becomes due. Unfunded pension costs are recognized as expenditure when billed by the State. Accumulated vacation and sick leave are also accounted for in the general long-term debt account group. Inventories are generally not recorded but expensed at the time of purchase; food and supplies in school lunch are inventoried and carried at values which approximate market. Fixed assets are recorded at acquisitin cost as determined by appraisal; there is no provision for depreciation expense.

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 2018 through 2020 fiscal years of the District are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2020	No Designation	0.0
2019	No Designation	0.0
2018	No Designation	0.0

The Fiscal Score for fiscal year ending June 30, 2021 has not been calculated as of the date of this Official Statement

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

New York State Comptroller's Report of Examination

The State Comptroller's office, ("OSC") 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.

On September 12, 2018, OSC, Division of Local Government and School Accountability released an audit of the District to review School District Physical Education Compliance. The audit found that the District generally complied with the physical education regulations of the New York State Education Department (SED) Commissioner.

On November 6, 2015, OSC, Division of Local Government and School Accountability released an audit of the District to review financial management practices from July 1, 2013 through May 12, 2015. The audit found that the District needed to ensure that estimates in the annual budget for the planned use of fund balance are accurate and reasonable and ensure that reserve fund balances are maintained at reasonable levels.

There is a routine State Comptroller's audit of the District currently in progress. No report has been published as of the date of this Official Statement.

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

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

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District, and State aid. Total general fund revenue during the last five audited fiscal years increased by 7.6%. During this same period real property taxes (including other property tax items) increased 4.5%, and State aid increased 12.9%.

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year of Tax Levy:	2017	2018	2019	2020	2021
Town of:					
Tonawanda	$ 1,673,147,141	$ 1,658,889,287	$ 1,660,473,467	$ 1,667,371,718	$ 1,660,597,902
Total Assessed Values	$ 1,673,147,141	$ 1,658,889,287	$ 1,660,473,467	$ 1,667,371,718	$ 1,660,597,902
State Equalization Rates					
Town of:					
Tonawanda	40.50%	39.00%	37.00%	35.00%	33.00%
Taxable Full Valuations	$ 4,131,227,509	$ 4,253,562,274	$ 4,487,766,127	$ 4,763,919,194	$ 5,032,114,855

Tax Rates Per $1,000 (Assessed)

Fiscal Year of Tax Levy:	2017	2018	2019	2020	2021
Town of:					
Tonawanda	$ 49.33	$ 49.67	$ 51.11	$ 51.60	$ 53.15

Tax Collection Procedure

Real property taxes for school purposes are levied by the District but are collected by the Town of Tonawanda. Such taxes may be paid without penalty on or before October 15. Delinquent school tax payments are assessed penalties in accordance with an ascending scale which starts at 5% if paid between October 16 and October 31 and 6% if paid between November 1 and November 30.

On or about December 1, uncollected taxes are turned over to the County Commissioner of Finance, and the County reimburses the District in full for the uncollected amount no later than April 1 of the District's fiscal year.

The County has the power to enforce the collection of real property taxes and to issue and sell tax anticipation notes in order to finance any uncollected taxes returned to the District.

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2018	2019	2020	2021	2022
Total Tax Levy	$ 82,390,409	$ 84,862,121	$ 86,036,814	$ 88,262,900	$ 89,998,791
Amount Uncollected	-	-	-	-	N/A
% Uncollected	0.00%	0.00%	0.00%	0.00%	N/A

(1) The District receives 100% of its tax levy each year. See "Tax Collection Procedures" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District comprised of real property taxes for each of the below completed fiscal years and budgeted figures for the 2020-2021 and 2021-2022 fiscal years.

Fiscal Year	Total Revenues	Total Real Property Taxes and Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2015-2016	$ 150,648,157	$ 83,296,035	55.29%
2016-2017	154,208,702	83,496,208	54.14
2017-2018	159,601,964	83,645,084	52.41
2018-2019	162,213,833	86,129,301	53.10
2019-2020	162,078,522	87,048,478	53.71
2020-2021 (Budgeted)	160,679,474 (1)	88,262,900	54.93
2021-2022 (Budgeted)	164,226,830 (2)	89,998,791	54.80

(1) Does not include $8,400,000 of appropriated fund balance.

(2) Does not include $8,200,000 of appropriated fund balance.

Source: Audited financial statements for the 2015-16 through 2019-20 fiscal years, and the adopted budget for the 2020-21 and 2021-22 fiscal year. This table is not audited.

Ten Largest Taxpayers - 2020 Assessment Roll for 2020-21 District Tax Roll

Name	Type	Taxable Assessed Valuation
National Grid (Niagara Mohawk)	Utility	$ 47,328,792
National Fuel Gas Dist. & Supply Corp.	Utility	12,369,641
Goodyear Dunlop Tire Corp.	Manufacturing	6,573,573
Peroxychem LLC	Manufacturing	5,084,400
Unifrax I LLC	Manufacturing	4,558,600
Huntley Power LLC	Utility	4,290,000
Praxair Inc.	Manufacturing	4,237,000
Clover Com Crestmount LLC	Apartment Complex	3,653,000
Embassy Square Apartments	Apartment Complex	3,536,000
M.J. Peterson Real Estate	Real Estate	3,482,600

The ten larger taxpayers listed above have a total full valuation of $95,113,606, which represents 5.73% of the tax base of the District.

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

Source: District Tax Rolls.

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STAR – School Tax Exemption

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

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of $90,550 or less for 2021, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a "basic" exemption on their primary residence.

The 2020-21 State Budget withheld STAR benefits to taxpayers who are delinquent in the payment of their school taxes and lowers the income limit for the exemption to $200,000, compared with a $500,000 limit for the credit.

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

Town of:	Enhanced Exemption	Basic Exemption	Date Certified
Tonawanda	$ 23,330	$ 9,900	4/9/2021

$12,498,842 of the District's $88,262,900 school tax levy for 2020-21 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January, 2021.

Approximately $13,499,819 of the District's $89,998,791 school tax levy for the 2021-2022 fiscal year is expected to be exempted by the STAR Program. The District anticipates receiving all of such exempt taxes from the State by January, 2022.

Additional Tax Information

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

Senior Citizens' exemptions are offered to those who qualify.

The estimated total annual property tax bill of a $100,000 market value residential property located in the School District is approximately $5,420 not including the potential STAR tax credit (see "STAR-School Tax Exemption" above).

TAX LEVY LIMITATION LAW

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

On June 25, 2015, Chapter 20 of the 2015 Laws of New York ("Chapter 20") amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. Recent legislation has made the legislation permanent.

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 or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. Chapter 20 additionally allows the State Commissioner of Taxation and Finance to adjust for changes in the real property base to reflect development on tax exempt real property. 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. The State Commissioner of Taxation and Finance has promulgated a regulation that will allow school districts, beginning in the 2020-2021 school year, to adjust the exclusion to reflect a school district's share of capital expenditures related to projects funded through a board of cooperative education services ("BOCES").

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Statutory Procedure

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

The District 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 may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of such bonds. No down payment is required in connection with the issuance of District obligations.

The Local Finance Law also authorizes the District to issue revenue anticipation notes, in anticipation of the collection of a specific type of revenue, such as State aid.

Debt Limit. The District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State 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 assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

The Local Finance Law also provides that where a resolution authorizing the issuance of bonds or notes is published with a statutory form of notice, the validity of the bonds or notes authorized thereby, including revenue anticipation notes may be contested only if:

(1) (a) such obligations were authorized for an object or purpose for which the District is not authorized to expend money, or

(b) the provisions of the law which should be complied with as of the date of publication of this notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of this notice; or

(2) Such obligations were authorized in violation of the provisions of the Constitution of New York.

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

The Board, as the finance board of the District, has the power to enact bond resolutions and revenue anticipation note resolutions. In addition, the Board has the power to authorize the sale and issuance of obligations. However, the Board may delegate the power to sell the obligations to the President of the Board, 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

Fiscal Years Ending June 30th:	2017	2018	2019	2020	2021
Bonds	$ 50,957,091	$ 43,864,770	$ 76,570,630	$ 68,712,743	$ 60,836,971
Bond Anticipation Notes	45,301,158	44,372,716	0	0	1,163,500
Energy Performance Contract	3,592,012	2,135,073	625,490	506,671	381,346
Total Debt Outstanding	$ 99,850,261	$ 90,372,559	$ 77,196,120	$ 69,219,414	$ 62,381,817

(1) Unaudited.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 26, 2021:

Type of Indebtedness	Maturity		Amount
Bonds	2021-2032		$ 60,836,971 (1)
Bond Anticipation Notes			
Purchase of Buses	August 13, 2021		1,163,500 (2)
		Total Indebtedness	$ 62,000,471

(1) Includes $24,691,971 lease/purchase financing obligations that were structured as Qualified Zone Academy Bonds (“QZABs”). Such bonds do not represent general obligation debt of the District

(2) To be redeemed and renewed, in part with the proceeds of the Series B Notes and $232,700 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared as of July 26, 2021:

Full Valuation of Taxable Real Property			$ 5,032,114,855
Debt Limit 10% thereof			503,211,485
Inclusions:			
Bonds [1]	$ 60,836,971		
Bond Anticipation Notes	232,700		
Principal of this Issue	17,950,800		
Total Inclusions		$ 79,020,471	
Exclusions:			
State Building Aid [2]	$ 0		
Total Exclusions		$ 0	
Total Net Indebtedness			$ 79,020,471
Net Debt-Contracting Margin			$ 424,191,014
Percent of Debt Contracting Power Exhausted			15.70%

(1) Includes $24,691,971 lease/purchase financing obligations that were structured as Qualified Zone Academy Bonds ("QZABs"). Such bonds do not represent general obligation debt of the District

(2) Based on preliminary 2021-2022 building aid estimates, the District anticipates State building aid of 74.1% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates; however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

A schedule of bonded debt service may be found attached hereto as "APPENDIX – B" to this Official Statement.

Short-Term Note Indebtedness

The District currently has $1,163,500 bond anticipation notes outstanding and maturing August 13, 2021. The outstanding bond anticipation notes will be redeemed and renewed, in part with the proceeds of the Series B Notes and $232,700 available funds of the District at maturity. The Notes will increase the short-term indebtedness of the District by $16,787,300.

Cash Flow Borrowings

The District historically does not issue revenue or tax anticipation notes. The District does not currently anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future.

Capital Project Plans

The District has $1,610,854 of authorized but unissued debt related to a bond resolution adopted on March 10, 2015 following a vote by qualified voters of the District on December 9, 2014, authorizing the issuance of $21,671,000 serial bonds for the development of arts and athletic venues for the District.

In addition, the qualified District voters approved a $75 million capital improvements project on February 5, 2020. Such project consists of the reconstruction and renovation of, and the construction of improvements, additions and upgrades to, various District buildings and facilities. Funding for the project will come from $10 million of capital reserve monies with the remaining amount coming from bonds and bond anticipation notes. The proceeds of the Series A Notes represent the first borrowing against the above mentioned authorization and will provide $16,000,000 of original financing for the above mentioned project.

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

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 as of the close of the fiscal year for each of the municipalities listed below.

Municipality	Status of Debt as of	Gross Indebtedness [(1)]	Exclusions [(2)]	Net Indebtedness	District Share	Applicable Indebtedness
County of:						
Erie	12/31/2019	$ 535,396,809	$ -	$ 535,396,809	7.32%	$ 39,191,046
Town of:						
Tonawanda	12/31/2019	73,407,023	4,937,527	68,469,496	79.19%	54,220,994
Village of:						
Kenmore	5/31/2020	16,580,000	-	16,580,000	100.00%	16,580,000
					Total:	$ 109,992,040

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

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2019 and 2020.

Debt Ratios

The following table sets forth certain ratios relating to the District's Net Indebtedness as of July 26, 2021:

	Amount	Per Capita [(a)]	Percentage of Full Value [(b)]
Net Indebtedness [(c)]	$ 79,020,471	$ 1,199.68	1.57%
Net Indebtedness Plus Net Overlapping Indebtedness [(d)]	189,012,511	2,869.57	3.76

(a) The current estimated population of the District is 65,868. (See "THE SCHOOL DISTRICT - Population" herein.)
(b) The District's full value of taxable real estate for the 2020-2021 fiscal year is $5,032,114,855. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
(c) See "Debt Statement Summary" for the calculation of Net Indebtedness, herein.
(d) The District's applicable share of Net Overlapping Indebtedness is estimated to be $109,992,040. (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

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.

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 shall not exceed nine per centum per annum. 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 or interest on the Notes.

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.

The Federal Bankruptcy Code allows public bodies 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 to file a petition under any provision of federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

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 such obligations.

As a result of the Court of Appeals decision, 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 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.

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

COVID-19

The outbreak of COVID-19, a serious respiratory disease caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020.

Economic Impacts

The outbreak of COVID-19 has drastically affected travel, commerce and financial markets globally. As almost all nations have experienced a rise in infections and implemented containment measures that in the case of some nations (including the United States) have been drastic, economies have suffered in the extreme. While several vaccines have been developed and are now being deployed world-wide, the full impact of the pandemic is difficult to predict due to uncertainties regarding its duration and severity.

While initially the hospitality and tourism industries were hardest hit, within a short period of time there was widespread unemployment across all economic sectors in the United States.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic initially caused extreme volatility across all financial markets, including the primary and secondary markets for municipal bonds. In the United States, Congress and the Federal Reserve took significant steps to backstop those markets and to provide much-needed liquidity, and markets have since generally stabilized. Still, given these conditions, it is possible that the process of trading the Notes in the secondary market could generally be affected in ways that are difficult to predict.

Federal Response

The federal government has passed several pieces of legislation in response to the COVID-19 pandemic including the $2.3 trillion Coronavirus Aid, Relief, and Economic Security (“CARES”) Act of 2020 and the $1.9 trillion American Rescue Plan Act (“ARP”) Act of 2021, both of which provide funding for pandemic-related expenses and attempt to address financial stability and liquidity issues through a variety of stimulus measures.

<u>Stimulus Efforts for State and Local Governments:</u> The CARES Act included a $150 billion Coronavirus Relief Fund, which provided funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller populations could receive monies from the amount allocated to their state). This money was intended for programs that were necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it could indirectly assist with revenue shortfalls in cases where the expenses that were covered by this fund would otherwise create a further budget shortfall.

The CARES Act also included an Education Stabilization Fund, which provided $30.75 billion for K-12 and higher education systems. There were three main forms of relief: $13.2 billion for K-12 schools that was administered on a state-by-state basis, $14 billion for public and private colleges and universities, and $3 billion in emergency relief that governors could distribute to schools, colleges and universities that were particularly affected by COVID-19 and the ensuing crisis.

The ARP Act includes an additional $350 billion for states, tribal governments and local governments. Notably, in addition to the uses allowed under the CARES Act, ARP funds can be used to replace revenues lost due to COVID-19 and to make necessary investments in water, sewer or broadband infrastructure. These broader categories allow such governments much more flexibility in utilizing such funds.

The ARP Act also includes a total of $170.3 billion in funding for education, including more than $122.8 billion for the Elementary and Secondary School Emergency Relief Fund (“ESSER”). The largest portion of such ESSER funds will be distributed to school districts based on their relative share of Title I funding, but additional moneys are also allocated to help schools address learning time lost by students, after-school and summer enrichment programs, and administration costs.

Municipal Liquidity Facility: The Federal Reserve established a "Municipal Liquidity Facility" ("MLF") in 2020 that offered up to $500 billion in direct federal lending to certain larger issuers, which were in turn able to use their own loan proceeds to make loans to included smaller governmental units that would not otherwise qualify for this program. The MLF expired on December 31, 2020. Most municipal issuers did not have to resort to the MLF because rates have been conducive to issuing debt through the conventional municipal bond market; however, it is notable that the MLF existed as a market backstop if needed.

State Response

Executive orders: Pursuant to emergency powers granted by the State Legislature, Governor Cuomo has released a number of executive orders in response to the COVID-19 pandemic.

Pursuant to State Executive Order 202.4, every school in the State was directed to close no later than March 18, 2020. While schools were originally ordered closed until April 1, the time period was later extended to May 15, and then through the end of the school year. School districts must normally maintain 180-day in-class attendance for State aid; however, this requirement was waived to the extent attributable to COVID-19 related closures during the 2019-2020 school year. Additionally, pursuant to State Executive Orders Nos. 202.13 and 202.26, the school district elections and budget votes that normally would have been held in-person on May 19, 2020 were postponed and conducted by absentee ballot, with such ballots being counted on June 16, 2020.

While initially "non-essential" employees were mandated to work from home, starting on May 15, 2020, regions of the State that met certain criteria were allowed to begin reopening. Reopening occurred in phases, with different businesses and industries allowed to open in each phase.

As COVID-19 cases began to rise again in the fall of 2020, the State shifted to a strategy based on identifying areas with higher positivity rates and implementing successively higher restrictions in such areas. Such areas were labeled "yellow", "orange" or "red." When COVID-19 cases dropped again, affected areas could be removed from the list. As of March 22, 2021, all remaining yellow zone cluster restrictions were lifted; therefore, there were no longer any areas of the State subject to special restrictions under such system.

Since increased supplies of COVID-19 vaccine have become available, the State has encouraged residents to get vaccinated and, as of April 6, 2021, all New Yorkers 16 years of age and older have been eligible to receive a vaccine. As of June 15, 2021, the State reached the milestone of 70 percent of New Yorkers aged 18 or older having received the first dose of the COVID-19 vaccination series. Since then, the State's health guidance and industry specific guidelines have been largely lifted, including social gathering limits, capacity restrictions, and social distancing requirements.

Up-to-date information on the State's COVID-19 response can be found at https://forward.ny.gov. Reference to website implies no warranty of accuracy of information therein.

State Budget: The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State's 2019-2020 fiscal year, and continuing during the State's 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-2021 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June, 2020 the State Division of the Budget ("DOB") began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State's 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the $1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost $24 billion in funding for various levels of government in the State, including approximately $12.5 billion for the State, $6 billion for New York City, and $4 billion to be divided among counties in the State; another $12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a $1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a $105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lottery Terminal (VLT) facilities will receive a full restoration of $10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

Legislation Allowing Financial Flexibility for Municipalities and School Districts: On August 24, 2020, Governor Cuomo signed legislation allowing municipalities and school districts additional financial flexibility in response to the COVID-19 pandemic. Whereas municipalities and school districts in the State typically may only pursue short-term financing for five years, under certain circumstances the new legislation allows note financing for up to an additional two years prior to converting to long-term bonds.

The new legislation also allows municipalities and school districts additional flexibility related to the use of reserve funds or inter-fund transfers for costs associated with COVID-19. The typical mandatory or permissive referendum requirements for the expenditure of funds from a capital reserve fund have been waived for capital costs attributable to the COVID-19 pandemic. Moneys from a capital reserve fund can also be temporarily advanced for operating costs or other costs attributable to the COVID-19 pandemic, so long as such moneys are repaid within five fiscal years, with interest. Additionally, while inter-fund transfers must typically be repaid by the end of the fiscal year in which the transfer is made, inter-fund advances for costs attributable to the COVID-19 pandemic do not need to be repaid until the close of the following fiscal year.

Local Response

The State Executive Law Section 24 contains procedures for local governments to declare local states of emergency and issue orders to implement the same. Specifically, in the event of a qualifying disaster or reasonable apprehension of immediate danger to the public safety, the municipal chief executive has the authority to declare a local state of emergency for a period of up to 30 days and issue orders to protect life and property or to bring the emergency situation under control.

While the District itself is not able to declare a local state of emergency, the County has done so. The District closed in mid-March 2020 and did not resume session for the rest of the 2019-20 school year. During the timeframe of the closure the District provided education to students remotely and was responsible for providing meal deliveries to students.

While the impacts of COVID-19 on the global, federal, State and local economy cannot be predicted with any certainty, the pandemic could have a significant adverse effect on the District’s finances.

The District is continuing to monitor this situation and will attempt to mitigate any such adverse effects through program cuts or staffing reductions, as needed.

MARKET AND RISK FACTORS

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

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

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

Amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. (see “TAX EXEMPTION,” herein).

Disease outbreaks or similar public health threats could have an adverse impact on the District’s financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020. See “COVID-19” herein for a further discussion of the impacts of the COVID-19 pandemic, which could have a significant adverse effect on the District’s finances.

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

TAX EXEMPTION

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Such opinion will state that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinion, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Code Sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the Tax Certificate and Nonarbitrage Certificate that will be executed and delivered by the District in connection with the issuance of each series of the Notes (collectively, the "Certificates") establish requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1 The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Code Section 141;

2 The requirements contained in Code Section 148 relating to arbitrage bonds; and

3 The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code Section 149(b).

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

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

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a note before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code Section 3406, if such holder fails to provide the information required on Internal Revenue Service ("IRS") Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes. Prospective purchasers are encouraged to consult with their own legal and tax advisors with respect to these matters.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the legal opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District and, unless paid from other sources, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law); provided, however, that the enforceability (but not the validity) of the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles; (ii) assuming that the District complies with certain requirements of the Code, interest on the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (iii) interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the District to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of such opinion of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely 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; and (iv) 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, 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.

LITIGATION

The New York State Child Victims Act (CVA) has allowed a limited time “look back” window allowing claims of child sexual abuse to be filed regardless of when the alleged abuse occurred. The District is defending over 40 litigation matters that were brought in response to the CVA, some of which claims may not be covered by insurance. At this time the scope of any such potential damages cannot be predicted. Any liability of the District in excess of any insurance coverage that may be available would be a District charge and would be funded either through budgetary appropriations or through the issuance of notes or bonds.

Subject to the disclosure in the above paragraph, the District is also 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, proceeding 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 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.

DISCLOSURE UNDERTAKING

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 (the “Rule”), unless the Series A Notes and/or the Series B Notes are purchased for the purchaser’s own account for investment and not for resale, the District will enter into a separate Disclosure Undertaking for each series of Notes at closing, a form of which is attached hereto as “APPENDIX – C.” A purchaser buying either or both series of the Notes for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

CONTINUING DISCLOSURE COMPLIANCE PROCEDURES

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

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 the Municipal Advisor are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

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

RATING

The Notes are <u>not</u> rated. Pending the approval of the District, the purchaser(s) of either or both Series of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s) pending the approval of the District, including any fees to be incurred by the District, as such rating action may result in a material event notification to be posted to EMMA as required by the District’s continuing disclosure undertaking, the form of which is attached hereto as “APPENDIX – C”.

Moody's Investors Service (“Moody's”) has assigned their underlying rating of “Aa3” to the District’s outstanding general obligation bonds. This rating reflects only the view of Moody’s and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007, Phone: (212) 553-0038, Fax: (212) 553-1390.

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

MISCELLANEOUS

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

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

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

Hodgson Russ LLP, of Buffalo, 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 contact information is as follows: Nicole Morasco, Assistant Superintendent for Finance, Kenmore-Town of Tonawanda Union Free School District, 1500 Colvin Boulevard, Buffalo, New York 14223, Phone: (716) 874-8400 x20308, Fax: (716) 874-8627, Email: nmorasco@ktufsd.org.

Additional copies of the Notices 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 or www.fiscaladvisorsauction.com.

KENMORE-TOWN OF TONAWANDA
UNION FREE SCHOOL DISTRICT

Dated: July 26, 2021

MATTHEW CHIMERA
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2016	2017	2018	2019	2020
ASSETS					
Cash	$ 36,606,725	$ 46,060,523	$ 50,967,180	$ 53,554,517	$ 48,396,674
Investments	-	-	-	-	7,030,928
Cash surrender valur of life insurance	2,005,000	2,005,000	2,005,000	2,005,000	1,575,000
Accounts receivable	236,956	232,699	240,547	290,483	302,430
State and Federal Aid Receivable	2,451,890	2,036,895	2,100,156	2,090,502	1,725,233
Other Receivables	-	-	-	-	-
Due from Other Funds	4,713,082	1,841,014	2,475,812	2,139,137	-
Due from Other Governments	5,971,933	6,129,420	6,344,769	5,799,034	6,418,922
Inventories	-	-	-	-	-
Deferred outflows of resources	2,257,761	2,012,238	1,634,715	1,257,192	879,669
TOTAL ASSETS	$ 54,243,347	$ 60,317,789	$ 65,768,179	$ 67,135,865	$ 66,328,856
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 1,674,855	$ 3,674,227	$ 3,812,918	$ 2,182,262	$ 1,387,196
Accrued Liabilities	12,332,747	10,942,383	10,467,107	11,337,978	11,893,321
Due Retirement Systems	8,832,558	8,250,382	7,137,008	7,885,348	6,977,926
Due to Other Funds, net	-	-	-	-	5,919,446
Deferred inflows of resources	2,257,761	2,012,238	1,634,715	1,257,192	879,669
Unearned revenue	77,789	71,457	78,776	101,563	1,400
TOTAL LIABILITIES	25,175,710	24,950,687	23,130,524	22,764,343	27,058,958
FUND EQUITY					
Nonspendable	$ 2,005,000	$ 2,005,000	$ 2,005,000	$ 2,005,000	$ 1,575,000
Restricted	14,077,198	19,548,059	26,137,573	28,533,990	23,015,335
Assigned	6,706,401	7,385,659	7,954,219	7,191,485	7,914,305
Unassigned	6,279,038	6,428,384	6,540,863	6,641,047	6,765,258
TOTAL FUND EQUITY	29,067,637	35,367,102	42,637,655	44,371,522	39,269,898
TOTAL LIABILITIES & FUND EQUITY	$ 54,243,347	$ 60,317,789	$ 65,768,179	$ 67,135,865	$ 66,328,856

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2016	2017	2018	2019	2020
REVENUES					
Real Property Taxes	$ 63,266,066	$ 66,894,064	$ 67,718,750	$ 70,684,608	$ 72,826,021
Real Property Tax Items	20,029,969	16,602,144	15,926,334	15,444,693	14,222,457
Nonproperty Tax Items	8,123,517	8,161,321	8,228,474	8,602,162	8,466,082
Charges for Services	2,388,180	2,711,316	2,461,468	2,428,801	2,444,452
Use of Money & Property	351,894	355,603	1,056,727	1,511,070	1,130,569
Sale of Property and Compensation for Loss	362,325	30,690	187,845	1,077,507	36,682
Miscellaneous	2,011,335	1,347,369	1,521,326	1,179,954	1,839,968
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	53,936,523	57,968,652	62,396,166	60,997,320	60,914,767
Revenues from Federal Sources	178,348	137,543	104,874	287,718	197,524
Total Revenues	$ 150,648,157	$ 154,208,702	$ 159,601,964	$ 162,213,833	$ 162,078,522
EXPENDITURES					
General Support	$ 13,563,467	$ 13,399,366	$ 14,734,667	$ 15,436,490	$ 14,819,404
Instruction	87,397,937	87,738,724	89,671,808	93,461,620	95,185,265
Pupil Transportation	4,541,115	5,347,596	5,449,080	5,485,762	5,233,830
Community Services	238,519	246,412	259,748	252,276	251,029
Employee Benefits	32,557,276	31,355,517	30,659,277	32,603,681	31,564,114
Debt Service	9,568,457	9,979,948	11,836,947	16,757,173	9,840,117
Total Expenditures	$ 147,866,771	$ 148,067,563	$ 152,611,527	$ 163,997,002	$ 156,893,759
Other Financing Sources (Uses):					
Interfund Transfers (net)	320,087	(223,110)	(248,359)	(279,583)	(10,286,387)
BAN Premium	271,891	381,436	528,475	-	-
Bond Premium	-	-	-	3,796,619	-
Total Other Financing Sources (Uses)	$ 591,978	$ 158,326	$ 280,116	$ 3,517,036	$ (10,286,387)
Excess (Deficit) Revenues Over Expenditures	3,373,364	6,299,465	7,270,553	1,733,867	(5,101,624)
FUND BALANCE					
Fund Balance - Beginning of Year	25,694,273	29,067,637	35,367,102	42,637,655	44,371,522
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 29,067,637	$ 35,367,102	$ 42,637,655	$ 44,371,522	$ 39,269,898

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:	2020 Adopted Budget	2020 Final Budget	2020 Audited Actual	2021 Adopted Budget	2022 Adopted Budget
REVENUES					
Real Property Taxes	$ 72,769,805	$ 72,769,805	$ 72,826,021	$ 88,262,900	$ 89,998,791
Real Property Tax Items	14,317,478	14,317,478	14,222,457	-	-
Nonproperty Tax Items	8,150,000	8,150,000	8,466,082	8,300,000	8,000,000
Charges for Services	2,005,000	2,005,000	2,444,452	-	2,105,000
Use of Money & Property	910,678	910,678	1,130,569	-	936,000
Sale of Property and Compensation for Loss	14,200	14,200	36,682	-	-
Miscellaneous	555,000	555,000	1,839,968	4,561,574	1,524,200
Interfund Revenues		-	-	-	-
Revenues from State Sources	59,574,000	59,574,000	60,914,767	59,555,000	61,432,839
Revenues from Federal Sources	130,000	130,000	197,524	-	130,000
Total Revenues	$ 158,426,161	$ 158,426,161	$ 162,078,522	$ 160,679,474	$ 164,126,830
EXPENDITURES					
General Support	$ 16,280,261	$ 16,041,243	$ 14,819,404	$ 16,107,092	$ 17,303,585
Instruction	99,543,254	101,123,267	95,185,265	99,816,838	100,989,726
Pupil Transportation	5,828,629	5,999,516	5,233,830	6,194,346	6,346,664
Community Services	322,736	324,540	251,029	-	-
Employee Benefits	35,535,341	34,844,648	31,564,114	36,682,645	37,747,921
Debt Service	10,732,425	9,859,432	9,840,117	10,278,553	10,038,934
Total Expenditures	$ 168,242,646	$ 168,192,646	$ 156,893,759	$ 169,079,474	$ 172,426,830
Other Financing Sources (Uses):					
Interfund Transfers (net)	(275,000)	(10,325,000)	(10,286,387) [1]	-	100,000
BAN Premium	-	-	-	-	-
Bond Premium	-	-	-	-	-
Appropriated Reserves	2,950,000	2,950,000		-	-
Appropriated Fund Balance	7,141,485	17,141,485	-	8,400,000	8,200,000
Total Other Financing Sources (Uses)	$ 9,816,485	$ 9,766,485	$ (10,286,387)	$ 8,400,000	$ 8,300,000
Excess (Deficit) Revenues Over Expenditures	-	-	(5,101,624)	-	-
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	44,371,522	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 39,269,898	$ -	$ -

[1] Includes $10,100,000 transfer to Capital Projects Fund

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
2022	$ 7,038,725	$ 1,477,871	$ 8,516,596
2023	6,786,747	1,296,756	8,083,503
2024	6,779,838	1,122,051	7,901,889
2025	6,292,999	954,776	7,247,775
2026	6,456,229	795,394	7,251,623
2027	6,459,530	628,646	7,088,176
2028	6,627,902	454,847	7,082,749
2029	3,870,000	308,946	4,178,946
2030	3,435,000	237,000	3,672,000
2031	3,505,000	164,006	3,669,006
2032	3,585,000	85,144	3,670,144
TOTALS	$ 60,836,971	$ 7,525,435	$ 68,362,406

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2008 Capital Project Principal	2008 Capital Project Interest	2008 Capital Project Total	2013 - QZAB Capital Project Principal	2013 - QZAB Capital Project Interest	2013 - QZAB Capital Project Total	2013 - QZAB Capital Project Principal	2013 - QZAB Capital Project Interest	2013 - QZAB Capital Project Total
2022	$ 405,000	$ 14,175	$ 419,175	$ 340,795	$ 12,396	$ 353,191	$ 2,112,930	$ 76,853	$ 2,189,783
2023	-	-	-	342,604	10,587	353,191	2,124,143	65,640	2,189,783
2024	-	-	-	344,422	8,769	353,191	2,135,416	54,367	2,189,783
2025	-	-	-	346,250	6,941	353,191	2,146,749	43,034	2,189,783
2026	-	-	-	348,087	5,103	353,191	2,158,142	31,641	2,189,783
2027	-	-	-	349,935	3,256	353,191	2,169,595	20,188	2,189,783
2028	-	-	-	351,794	1,399	353,193	2,181,108	8,674	2,189,782
TOTALS	$ 405,000	$ 14,175	$ 419,175	$ 2,423,887	$ 48,451	$ 2,472,338	$ 15,028,084	$ 300,396	$ 15,328,480

Fiscal Year Ending June 30th	2014 - QZAB Capital Project Principal	2014 - QZAB Capital Project Interest	2014 - QZAB Capital Project Total	2014 Capital Project & Buses Principal	2014 Capital Project & Buses Interest	2014 Capital Project & Buses Total
2022	$ 285,000	$ 7,742	$ 292,742	$ 450,000	$ 29,488	$ 479,488
2023	285,000	6,630	291,630	460,000	18,675	478,675
2024	285,000	5,519	290,519	470,000	6,463	476,463
2025	285,000	4,407	289,407	-	-	-
2026	285,000	3,296	288,296	-	-	-
2027	280,000	2,184	282,184	-	-	-
2028	280,000	1,092	281,092	-	-	-
TOTALS	$ 1,985,000	$ 30,869	$ 2,015,869	$ 1,380,000	$ 54,625	$ 1,434,625

Fiscal Year Ending June 30th	2015 - QZAB Capital Project Principal	2015 - QZAB Capital Project Interest	2015 - QZAB Capital Project Total	2016 - QZAB Capital Project Principal	2016 - QZAB Capital Project Interest	2016 - QZAB Capital Project Total
2022	$ 570,000	$ 41,768	$ 611,768	$ 140,000	$ -	$ 140,000
2023	575,000	36,524	611,524	140,000	-	140,000
2024	575,000	31,234	606,234	145,000	-	145,000
2025	575,000	25,944	600,944	145,000	-	145,000
2026	580,000	20,654	600,654	145,000	-	145,000
2027	580,000	15,318	595,318	-	-	-
2028	580,000	9,982	589,982	-	-	-
2029	505,000	4,646	509,646	-	-	-
TOTALS	$ 4,540,000	$ 186,070	$ 4,726,070	$ 715,000	$ -	$ 715,000

Fiscal Year Ending June 30th	2019 Capital Project Principal	2019 Capital Project Interest	2019 Capital Project Total
2022	$ 2,735,000	$ 1,295,450	$ 4,030,450
2023	2,860,000	1,158,700	4,018,700
2024	2,825,000	1,015,700	3,840,700
2025	2,795,000	874,450	3,669,450
2026	2,940,000	734,700	3,674,700
2027	3,080,000	587,700	3,667,700
2028	3,235,000	433,700	3,668,700
2029	3,365,000	304,300	3,669,300
2030	3,435,000	237,000	3,672,000
2031	3,505,000	164,006	3,669,006
2032	3,585,000	85,144	3,670,144
TOTALS	$ 34,360,000	$ 6,890,850	$ 41,250,850

DISCLOSURE UNDERTAKING

This undertaking to provide notice of certain designated events (the "Disclosure Undertaking") is executed and delivered by the Kenmore-Town of Tonawanda Union Free School District, Erie County, New York (the "Issuer") in connection with the issuance of its [$16,000,000 Bond Anticipation Note(s), 2021 Series A] or [$1,950,800 Bond Anticipation Note(s), 2021 Series B] (such Note(s), including any interests therein, being collectively referred to herein as the "Security"). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;

(7) Modifications to rights of Security Holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Security, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions.

"EMMA" means Electronic Municipal Market Access System implemented by the MSRB.

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

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

"Purchaser" means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

"Security Holder" means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

(a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

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

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

Section 7. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, I have hereunto set my signature and affixed the seal of the Issuer to this Disclosure Undertaking as of [August 12, 2021].

KENMORE-TOWN OF TONAWANDA
UNION FREE SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

By: SPECIMEN
President of the Board of Education

(SEAL)

ATTEST:

SPECIMEN
District Clerk

KENMORE TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Fiscal Year Ending

June 30, 2020

Such Financial Statements 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.

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June 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 auditors' 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 remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund 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 management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

October 5, 2020

Management's Discussion and Analysis (unaudited)

June 30, 2020

Introduction

Management's Discussion and Analysis (MD&A) of Kenmore-Town of Tonawanda Union Free School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2020. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position		**2020**		2019		Change $	Change %
Current and other assets	**$**	**82,107,000**	$	76,121,000	$	5,986,000	7.9%
Capital assets		**144,411,000**		145,921,000		(1,510,000)	(1.0%)
Total assets		**226,518,000**		222,042,000		4,476,000	2.0%
Deferred outflows of resources		**46,272,000**		43,110,000		3,162,000	7.3%
Long-term liabilities		**120,715,000**		115,427,000		5,288,000	4.6%
Other liabilities		**22,045,000**		22,277,000		(232,000)	(1.0%)
Total liabilities		**142,760,000**		137,704,000		5,056,000	3.7%
Deferred inflows of resources		**15,648,000**		12,480,000		3,168,000	25.4%
Net position							
Net investment in capital assets		**71,687,000**		64,928,000		6,759,000	10.4%
Restricted		**32,448,000**		29,815,000		2,633,000	8.8%
Unrestricted		**10,247,000**		20,225,000		(9,978,000)	(49.3%)
Total net position	**$**	**114,382,000**	$	114,968,000	$	(586,000)	(0.5%)

Net position amounted to $114,382,000 and $114,968,000 as of June 30, 2020 and 2019. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, vehicles, and furniture and equipment, less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's largest portion of its net position is restricted on how it may be used. Reserves are set aside for specific purposes governed by law, and include the debt service reserve, which is required to be used for the payment of bonds issued to finance capital projects; the capital reserve, which is set aside to pay for future renovations and bus purchases as approved by the District's voters; the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time; a repair reserve, which is restricted for emergency repairs to the District's capital assets; and the tax certiorari reserve, which is used to pay tax judgments and claims. Other restricted resources include the retirement contribution, unemployment insurance, insurance, and workers' compensation insurance reserves.

Current and other assets increased by $5,986,000 (increase of $2,284,000 in 2019). These balances consist of cash and receivables from other governments and third parties and the net pension asset for the New York State Teacher's Retirement System (TRS). The changes in individual account balances reflect the timing of cash flows. The decrease in capital assets of $1,510,000 (decrease of $1,518,000 in 2019) is due to depreciation expense exceeding capital asset additions, which mainly consisted of buses and architecture fees relating to the beginning stages of the 2020 Capital Improvements project. A change in TRS of $3,093,000 is largely a result of changes in actuarial assumptions and actual earnings outpacing projected amounts.

Total liabilities increased by $5,056,000 (decrease of $8,288,000 in 2019) due to an $12,115,000 increase in the net pension liability for the New York State and Local Employees' Retirement System (ERS) and a $843,000 increase in the actuarial computation of the total other postemployment benefits (OPEB) liability. The increases in the ERS and OPEB liabilities are due to changes in actuarial assumptions and differences between expected and actual experience. These increases were offset by bond and energy performance contract loan payments of $8,269,000.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected on the District's financial statements. Deferred outflows of resources include contributions required to be paid by the District to the State pension systems after the measurement date, and as such are not included in the current net pension position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions.

Condensed Statement of Activities	**2020**	2019	Change $	%
Revenues				
Program revenues				
Charges for services	**$ 3,613,000**	$ 3,871,000	$ (258,000)	(6.7%)
Operating and capital grants and contributions	**9,955,000**	9,494,000	461,000	4.9%
General revenues				
Property taxes	**87,048,000**	86,129,000	919,000	1.1%
Sales tax	**8,466,000**	8,602,000	(136,000)	(1.6%)
State aid	**60,915,000**	60,997,000	(82,000)	(0.1%)
Other	**1,898,000**	654,000	1,244,000	190.2%
Total revenue	**171,895,000**	169,747,000	2,148,000	1.3%
Expenses				
Instruction	**141,445,000**	130,596,000	10,849,000	8.3%
Support services				
General support	**18,266,000**	18,285,000	(19,000)	(0.1%)
Pupil transportation	**7,671,000**	7,387,000	284,000	3.8%
Food service	**3,090,000**	2,942,000	148,000	5.0%
Interest and other	**2,009,000**	2,297,000	(288,000)	(12.5%)
Total expenses	**172,481,000**	161,507,000	10,974,000	6.8%
Change in net position	**(586,000)**	8,240,000	(8,826,000)	(107.1%)
Net position – beginning	**114,968,000**	106,728,000	8,240,000	7.7%
Net position – ending	**$ 114,382,000**	$ 114,968,000	$ (586,000)	(0.5%)

The change in total revenue was $2,148,000 (increase of $401,000 in 2019) primarily due to an increase in the tax levy as noted in the 2019-2020 budget, an increase in the Smart School Bonds grant, and a $550,000 increase in e-rate revenue related to a broadband project. These increases were offset by decreases in sales tax, other payments in lieu of taxes (PILOT), and a reduction in non-reimbursable meals in the school lunch fund due to the COVID-19 pandemic.

Total expenses increased $10,974,000 in 2020 (increase of $5,029,000 in 2019). Payroll expense increased $2,177,000 or 2.5% in 2020 primarily due to raises as mandated by bargaining unit agreements. Employee benefits, which are allocated to general support, instruction, and transportation, increased $10,606,000 due to an increase in the net pension liability for ERS. These increases were offset by decreases in building and ground contractual expenses of $633,000, tuition paid to charter schools of $676,000, and decreases in various utilities of $320,000.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from $47,077,000 to $50,180,000 as described below:

- Spending across all governmental funds decreased by $9,189,000 or 5.2% (increase of $1,332,000 or 0.8% in 2019). This is primarily due to a decrease in required debt payments of $6,917,000, a decrease in employee benefits of $1,008,000, and a reduction in capital expenditures by $2,323,000. These decreases were offset by the increase in payroll as previously mentioned.
- Total fund revenue increased a very modest $228,000 or 0.1% ($2,839,000 or 1.7% increase in 2019). The increase in 2019 revenue was due to $1,049,000 from the sale of a building.

General Fund Budgetary Highlights

The final revenue budget for 2020 was $158,426,000. Actual revenue was over budget by $3,652,000 or 2.3%. The largest fluctuations were state sources which was $1,341,000 higher than budget and miscellaneous sources of $1,285,000 over budget.

Actual expenditures and carryover encumbrances were less than the final amended budget by $9,185,000 or 5.5%. The significant variances between actual and final budgeted expenditures occurred in teaching – regular school and employee benefits; these differences are due to conservative budgeting and a consistent process of managing expenses.

Capital Assets

	2020	2019
Land and land improvements	$ 4,850,000	$ 4,850,000
Buildings and improvements	180,455,000	177,774,000
Furniture and equipment	8,306,000	6,822,000
Vehicles	12,779,000	12,201,000
Construction in progress	1,337,000	2,827,000
	207,727,000	204,474,000
Accumulated depreciation	(63,316,000)	(58,553,000)
	$ 144,411,000	$ 145,921,000

Current year additions of $3,459,000 were offset by depreciation expense of $4,969,000. Most of the current year additions were related to the District's 2020 Capital Improvement project and the purchase of buses.

Debt

At June 30, 2020, the District had $69,219,000 in outstanding bonds and energy performance contracts, with $8,001,000 due within one year ($77,196,000 outstanding in 2019). Outstanding compensated absences and other employee benefits payable were $15,888,000 ($15,288,000 in 2019), with $1,553,000 expected to be paid within one year.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the District's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts, their residents, employees, and vendors, none of which can be predicted. The District has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-2021 for State aid and sales tax revenues. Federal revenue sources are expected to increase but the extent of Federal assistance is not yet known.

The District will need to plan accordingly to mitigate the impact of rising expenses and less aid. The District may need to use reserve funds, as permitted by law, to lessen the budgetary impact. The property tax levy requires using reserves judiciously. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the education resources necessary to meet student needs and flexibility on how students are taught.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kenmore-Town of Tonawanda Union Free School District, 1500 Colvin Boulevard, Buffalo, New York 14223.

Statement of Net Position

June 30, 2020
(With comparative totals as of June 30, 2019)

	2020	2019
Assets		
Cash	$ 50,585,838	$ 56,233,117
Accounts receivable	305,677	309,059
Due from other governments, net	6,418,922	5,799,034
State and federal aid receivable, net	5,096,693	3,803,177
Due from fiduciary funds	768,513	767,747
Inventory	267,905	239,531
Investments	7,030,928	-
Cash surrender value of life insurance	1,575,000	2,005,000
Net pension asset	10,057,319	6,963,923
Capital assets (Note 4)	207,726,548	204,473,773
Accumulated depreciation	(63,315,360)	(58,552,912)
Total assets	226,517,983	222,041,449
Deferred Outflows of Resources		
Grants	879,669	1,257,192
Deferred outflows of resources related to pensions	43,503,634	40,548,330
Deferred outflows of resources related to OPEB	1,888,878	1,304,943
Total deferred outflows of resources	46,272,181	43,110,465
Liabilities		
Accounts payable	2,386,479	2,276,287
Accrued liabilities	12,413,341	11,859,625
Due to retirement systems	6,977,926	7,885,348
Unearned revenue	267,026	255,401
Long-term liabilities		
Due within one year:		
Bonds and financing leases	8,001,100	7,976,683
Compensated absences and other benefits	1,553,000	1,788,000
Due beyond one year:		
Bonds and financing leases	64,722,908	73,016,056
Compensated absences and other benefits	14,335,000	13,500,000
Net pension liability	16,557,645	4,443,125
Total OPEB liability	15,545,484	14,702,980
Total liabilities	142,759,909	137,703,505
Deferred Inflows of Resources		
Grants	879,669	1,257,192
Deferred inflows of resources related to pensions	14,163,593	10,506,848
Deferred inflows of resources related to OPEB	604,823	716,222
Total deferred inflows of resources	15,648,085	12,480,262
Net Position		
Net investment in capital assets	71,687,180	64,928,122
Restricted	32,448,167	29,815,308
Unrestricted	10,246,823	20,224,717
Total net position	$ 114,382,170	$ 114,968,147

See accompanying notes.

Statement of Activities

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

		Program Revenues			Net (Expense) Revenue	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	**2020**	2019
Governmental activities						
General support	$ 18,266,472	$ 752,688	$ -	$ -	**$ (17,513,784)**	$ (17,448,386)
Instruction	141,445,098	2,429,476	7,089,447	493,425	**(131,432,750)**	(120,998,556)
Pupil transportation	7,670,887	-	-	-	**(7,670,887)**	(7,387,108)
Community services	459,017	-	-	-	**(459,017)**	(437,215)
Interest expense	1,549,386	-	-	-	**(1,549,386)**	(1,859,794)
School food service	3,090,023	430,946	2,371,899	-	**(287,178)**	(11,678)
	$ 172,480,883	$ 3,613,110	$ 9,461,346	$ 493,425	**(158,913,002)**	(148,142,737)
		General revenues				
		Real property taxes			**87,048,478**	86,129,301
		Sales taxes			**8,466,082**	8,602,162
		Miscellaneous			**1,897,698**	653,822
		State aid			**60,914,767**	60,997,320
		Total general revenues			**158,327,025**	156,382,605
		Change in net position			**(585,977)**	8,239,868
		Net position - beginning			**114,968,147**	106,728,279
		Net position - ending			**$ 114,382,170**	$ 114,968,147

Balance Sheet - Governmental Funds

June 30, 2020
(With summarized comparative totals as of June 30, 2019)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2020	Total Governmental Funds 2019
Assets						
Cash	$ 48,396,674	$ 803,585	$ 263,249	$ 1,122,330	**$ 50,585,838**	$ 56,233,117
Accounts receivable	302,430	-	-	3,247	**305,677**	309,059
Due from other governments, net	6,418,922	-	-	-	**6,418,922**	5,799,034
State and federal aid receivable, net	1,725,233	644,748	2,541,910	184,802	**5,096,693**	3,803,177
Due from other funds, net	-	8,940,559	-	-	**8,940,559**	2,139,137
Inventory	-	-	-	267,905	**267,905**	239,531
Investments	7,030,928	-	-	-	**7,030,928**	-
Cash surrender value of life insurance	1,575,000	-	-	-	**1,575,000**	2,005,000
Total assets	65,449,187	10,388,892	2,805,159	1,578,284	**80,221,522**	70,528,055
Deferred Outflows of Resources						
Grants	879,669	-	-	-	**879,669**	1,257,192
Total assets and deferred outflows	$ 66,328,856	$ 10,388,892	$ 2,805,159	$ 1,578,284	**$ 81,101,191**	$ 71,785,247
Liabilities						
Accounts payable	$ 1,387,196	$ 956,060	$ 23,982	$ 19,241	**$ 2,386,479**	$ 2,276,287
Accrued liabilities	11,893,321	-	303,604	41,416	**12,238,341**	11,662,625
Due to retirement systems	6,977,926	-	-	-	**6,977,926**	7,885,348
Due to other funds, net	5,919,446	-	2,211,947	40,653	**8,172,046**	1,371,390
Unearned revenue	1,400	-	265,626	-	**267,026**	255,401
Total liabilities	26,179,289	956,060	2,805,159	101,310	**30,041,818**	23,451,051
Deferred Inflows of Resources						
Grants	879,669	-	-	-	**879,669**	1,257,192
Fund Balances						
Nonspendable:						
Inventory	-	-	-	267,905	**267,905**	239,531
Life insurance	1,575,000	-	-	-	**1,575,000**	2,005,000
Restricted:						
Capital	5,412,685	9,432,832	-	-	**14,845,517**	15,389,293
Debt service	3,321,828	-	-	-	**3,321,828**	3,280,487
Employee benefit accrued liability	2,884,973	-	-	-	**2,884,973**	3,415,735
Workers' compensation	692,748	-	-	-	**692,748**	551,685
Retirement contribution	5,584,231	-	-	-	**5,584,231**	4,534,400
Unemployment insurance	750,972	-	-	-	**750,972**	396,613
Repair	1,543,540	-	-	-	**1,543,540**	1,526,761
Tax certiorari	724,358	-	-	-	**724,358**	720,334
Insurance	2,100,000	-	-	-	**2,100,000**	-
Assigned:						
Designated for subsequent year's expenditures	5,800,000	-	-	-	**5,800,000**	5,850,000
Other purposes	2,114,305	-	-	1,209,069	**3,323,374**	2,526,118
Unassigned	6,765,258	-	-	-	**6,765,258**	6,641,047
Total fund balances	39,269,898	9,432,832	-	1,476,974	**50,179,704**	47,077,004
Total liabilities, deferred inflows, and fund balances	$ 66,328,856	$ 10,388,892	$ 2,805,159	$ 1,578,284	**$ 81,101,191**	$ 71,785,247

See accompanying notes.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2020

Total fund balances - governmental funds		$ 50,179,704
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		144,411,188
The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension asset	10,057,319	
Deferred outflows of resources related to pensions	43,503,634	
Net pension liability	(16,557,645)	
Deferred inflows of resources related to pensions	(14,163,593)	22,839,715
The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Deferred outflows of resources related to OPEB	1,888,878	
Total OPEB liability	(15,545,484)	
Deferred inflows of resources related to OPEB	(604,823)	(14,261,429)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds, financing leases, and related premiums	(72,724,008)	
Accrued interest	(175,000)	
Compensated absences and other benefits	(15,888,000)	(88,787,008)
Net position - governmental activities		$ 114,382,170

See accompanying notes.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds 2020	Total Governmental Funds 2019
Revenues						
Real property taxes	$ 72,826,021	$ -	$ -	$ -	**$ 72,826,021**	$ 70,684,608
Real property tax items	14,222,457	-	-	-	**14,222,457**	15,444,693
Nonproperty taxes	8,466,082	-	-	-	**8,466,082**	8,602,162
Charges for services	2,444,452	-	-	-	**2,444,452**	2,428,801
Use of money and property	1,130,569	-	-	5,714	**1,136,283**	1,520,221
Sale of property and compensation for loss	36,682	-	-	-	**36,682**	1,077,507
Miscellaneous	1,839,968	-	123,856	11,678	**1,975,502**	1,358,967
State sources	60,914,767	493,425	2,450,773	73,301	**63,932,266**	63,428,739
Federal sources	197,524	-	3,939,771	2,286,920	**6,424,215**	6,504,204
Sales	-	-	-	430,946	**430,946**	616,937
Total revenues	162,078,522	493,425	6,514,400	2,808,559	**171,894,906**	171,666,839
Expenditures						
General support	14,819,404	-	148,543	1,009,861	**15,977,808**	16,447,077
Instruction	95,185,265	-	6,298,808	-	**101,484,073**	99,713,705
Pupil transportation	5,233,830	-	295,042	-	**5,528,872**	5,738,840
Community services	251,029	-	96,597	-	**347,626**	351,417
Employee benefits	31,564,114	-	-	406,510	**31,970,624**	32,978,978
Debt service						
Principal	7,976,683	-	-	-	**7,976,683**	14,931,379
Interest	1,863,434	-	-	-	**1,863,434**	1,825,794
Cost of sales	-	-	-	1,100,120	**1,100,120**	1,128,334
Capital outlay	-	2,441,911	-	101,055	**2,542,966**	4,866,050
Total expenditures	156,893,759	2,441,911	6,838,990	2,617,546	**168,792,206**	177,981,574
Excess revenues (expenditures)	5,184,763	(1,948,486)	(324,590)	191,013	**3,102,700**	(6,314,735)
Other financing sources (uses)						
Operating transfers, net	(10,286,387)	10,100,000	324,590	(138,203)	**-**	-
Bond premium	-	-	-	-	**-**	3,796,619
BANs redeemed from appropriations	-	-	-	-	**-**	6,632,656
Proceeds from the issuance of debt	-	-	-	-	**-**	39,495,000
Total other financing sources (uses)	(10,286,387)	10,100,000	324,590	(138,203)	**-**	49,924,275
Net change in fund balances	(5,101,624)	8,151,514	-	52,810	**3,102,700**	43,609,540
Fund balances - beginning	44,371,522	1,281,318	-	1,424,164	**47,077,004**	3,467,464
Fund balances - ending	$ 39,269,898	$ 9,432,832	$ -	$ 1,476,974	**$ 50,179,704**	$ 47,077,004

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2020

Total net change in fund balances - governmental funds		$ 3,102,700
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceed capital outlays.		(1,509,673)
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2020 TRS and ERS contributions	8,702,384	
2020 ERS accrued contribution	823,523	
2019 ERS accrued contribution	(830,000)	
2020 TRS pension expense	(12,437,252)	
2020 ERS pension expense	(5,981,220)	(9,722,565)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.		(147,170)
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.		7,976,683
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Amortization of bond premiums	292,048	
Compensated absences and other benefits	(600,000)	
Interest	22,000	(285,952)
Change in net position - governmental activities		$ (585,977)

See accompanying notes.

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual - General Fund

For the year ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	$ 72,769,805	$ 72,769,805	**$ 72,826,021**		$ 56,216
Real property tax items	14,317,478	14,317,478	**14,222,457**		(95,021)
Nonproperty taxes	8,150,000	8,150,000	**8,466,082**		316,082
Charges for services	2,005,000	2,005,000	**2,444,452**		439,452
Use of money and property	910,678	910,678	**1,130,569**		219,891
Sale of property and compensation for loss	14,200	14,200	**36,682**		22,482
Miscellaneous	555,000	555,000	**1,839,968**		1,284,968
State sources	59,574,000	59,574,000	**60,914,767**		1,340,767
Federal sources	130,000	130,000	**197,524**		67,524
Total revenues	158,426,161	158,426,161	**162,078,522**		3,652,361
Expenditures					
General support					
Board of education	61,000	118,941	**99,203**	130	(19,608)
Central administration	302,300	304,397	**264,739**	370	(39,288)
Finance	845,648	880,765	**775,979**	7,544	(97,242)
Staff	1,233,372	1,330,966	**1,120,392**	43,274	(167,300)
Central services	12,444,569	12,059,589	**11,333,050**	150,631	(575,908)
Special items	1,393,372	1,346,585	**1,226,041**	73,584	(46,960)
Instruction					
Instruction, administration, and improvement	6,490,978	6,485,559	**6,054,430**	16,870	(414,259)
Teaching - regular school	55,301,081	56,285,110	**52,945,504**	1,550,313	(1,789,293)
Programs for children with handicapping conditions	21,680,833	22,194,041	**21,453,641**	32,493	(707,907)
Occupational education	5,081,248	5,078,926	**4,933,720**	300	(144,906)
Teaching - special schools	852,694	909,285	**630,077**	-	(279,208)
Instructional media	4,105,979	4,109,958	**3,468,633**	18,609	(622,716)
Pupil services	6,030,441	6,060,388	**5,699,260**	65,881	(295,247)
Pupil transportation	5,828,629	5,999,516	**5,233,830**	119,601	(646,085)
Community services	322,736	324,540	**251,029**	-	(73,511)
Employee benefits	35,535,341	34,844,648	**31,564,114**	34,705	(3,245,829)
Debt service	-				
Principal	9,372,911	7,995,606	**7,976,683**	-	(18,923)
Interest	1,359,514	1,863,826	**1,863,434**	-	(392)
Total expenditures	168,242,646	168,192,646	**156,893,759**	2,114,305	(9,184,582)
Excess revenues (expenditures)	(9,816,485)	(9,766,485)	**5,184,763**	(2,114,305)	12,836,943
Other financing sources (uses)					
Operating transfers in	100,000	100,000	**138,203**		38,203
Operating transfers out	(375,000)	(10,425,000)	**(10,424,590)**		(410)
Appropriated reserves	2,950,000	2,950,000	**-**		(2,950,000)
Appropriated fund balance and carryover encumbrances	7,141,485	17,141,485	**-**		(17,141,485)
Total other financing sources (uses)	9,816,485	9,766,485	**(10,286,387)**		(20,052,872)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	**$ (5,101,624)**	$ (2,114,305)	$ (7,215,929)

See accompanying notes.

Statement of Fiduciary Net Position

June 30, 2020

	Private-Purpose Trusts	Agency
Assets		
Cash	$ 97,559	$ 1,054,507
Liabilities		
Extraclassroom activities balances	-	224,020
Due to governmental funds	-	768,513
Other liabilities	3,500	61,974
Total liabilities	3,500	$ 1,054,507
Net Position		
Restricted for scholarships	$ 94,059	

* * *

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2020

	Private-Purpose Trusts
Additions	
Gifts and donations	$ 800
Interest income	114
	914
Deductions	
Scholarship awards	4,800
Change in net position	(3,886)
Net position - beginning	97,945
Net position - ending	$ 94,059

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Kenmore-Town of Tonawanda Union Free School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate and for other shared contracted administrative services. Participating districts may issue debt on behalf of BOCES; there is no such debt issued by the District.

During the year ended June 30, 2020, the District was billed $10,614,000 for BOCES administrative and program costs and recognized revenue of $420,000 as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Risk Management

The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. The District also self-funds health insurance. These activities are further discussed in Note 8.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources - other than expendable trusts or major capital projects - such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for the payment of future principal and interest payments restricted for such purposes are also included in the general fund.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

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

Governmental funds 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 they are collected within ninety days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2020, the tax lien was issued on August 20, 2019 for collection from September 15 through November 30, 2019. Thereafter, uncollected amounts became the responsibility of Erie County. Such amounts were submitted to the District by April 1st of the following year as required by law.

The District is subject to tax abatements granted by the Erie County Industrial Development Agency (ECIDA). ECIDA is a public benefit corporation created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through ECIDA, companies promise to expand or maintain facilities or employment within the communities served by the District, establish new businesses, or to relocate an existing business to these communities. Economic development agreements entered into by ECIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, these abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%.

For the year ended June 30, 2020, the impact of tax abatements through ECIDA amounted to $1,833,000. However, because the abated amounts are spread across the District’s entire tax base, there is no impact on the overall property taxes collected.

Budget Process, Amendments, and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2019 was approved by a majority of the voters in a general election held on May 21, 2019.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Inventory

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

Cash Surrender Value of Life Insurance

Cash surrender value of life insurance is stated at the lower of accumulated premiums paid or surrender value of the contracts.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	$ 5,000	20
Buildings and improvements	$ 5,000	30 - 50
Furniture, equipment, and vehicles	$ 5,000	5 - 15

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Deferred Outflows and Deferred Inflows of Resources - Grants

Voluntary nonexchange transactions represented by grants accrued in advance of the receipt of contributed services are recognized as deferred outflows and deferred inflows of resources on the government-wide and governmental funds statements. The grants represent in-kind services to be received over the next five years by the District and are recognized at the estimated net present value of the services; revenue and expense/expenditures will be recognized ratably over the next three years.

Pensions

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the District recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense of the District's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences and Other Benefits

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for payment of health insurance until exhausted. Certain bargaining unit employees are also entitled to contributions made by the District to medical accounts, health reimbursement accounts, or health savings accounts. The accumulation of these benefits is determined by the contracts and provides employees with contributions annually. Contributions to these plans accumulate until retirement, and are accrued annually.

The government-wide financial statements reflect the estimated liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory and the cash value of life insurance policies.

Fund balance restrictions consist of the following reserves:

- *Capital* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. During 2008, voters approved the creation of a capital reserve of $15,000,000, which has been fully funded. During 2016, voters approved the creation of another capital reserve of $15,000,000, which has been funded to $11,978,410. Amounts remaining and available for use at June 30, 2020 total $5,412,685.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* - is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-funded plan.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries with a maximum reserve of 10%. At June 30, 2020, the retirement contribution reserve includes $3,487,161 for ERS and $2,097,070 for TRS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Repair* – is used to accumulate funds to finance costs of major repairs to capital improvements or equipment, and requires a public hearing for its use.
- *Tax certiorari* – is used to pay judgments and claims resulting from certiorari proceedings. Funds not used by July 1 of the fourth fiscal year following their deposit must be returned to unassigned fund balance.
- *Insurance* – is used to pay liability, casualty, and other types of losses except losses incurred for which insurance may be purchased. The amount is funded through budgetary appropriation and may not exceed 5% of the budget.

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide 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 the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Cash and Investments

Cash management is governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District's banking policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the 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 the event of a bank failure the District's deposits may not be returned to it. At June 30, 2020, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments through a perfected security interest in the pledged assets and by the pledging institutions' agents.

Credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's external investment pool is rated AAAm from S&P's Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, the District's external investment pool limits the maturity date of its investments. The dollar weighted average days to maturity (WAM) at June 30, 2019, the most recent information available, is 54 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of the pool is 79 days.

3. Interfund Transactions – Fund Financial Statements

			Transfers	
Fund	Receivable	Payable	In	Out
General	$ 4,080,554	$ 10,000,000	$ 138,203	$ 10,424,590
Capital projects	10,000,000	1,059,441	10,100,000	-
Special aid	-	2,211,947	324,590	-
School lunch	-	40,653	-	138,203
Fiduciary	-	768,513	-	-
	$ 14,080,554	$ 14,080,554	$ 10,562,793	$ 10,562,793

The general fund provides cash flow to the various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The fiduciary fund owes the general fund for payroll withholdings. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for capital spending needs related to the 2020 Capital improvements project. The amount transferred from the school lunch fund to the general fund is to reimburse the general fund for administrative costs.

4. Capital Assets

	July 1, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
Non-depreciable capital assets:				
Land	$ 1,877,916	$ -	$ -	$ 1,877,916
Construction in progress	2,826,669	1,185,473	(2,675,346)	1,336,796
Total non-depreciable assets	4,704,585	1,185,473	(2,675,346)	3,214,712
Depreciable capital assets:				
Land improvements	2,971,670	-	-	2,971,670
Buildings and improvements	177,774,182	5,481	2,675,346	180,455,009
Furniture and equipment	6,822,179	1,489,150	(5,125)	8,306,204
Vehicles	12,201,157	778,863	(201,067)	12,778,953
Total depreciable assets	199,769,188	2,273,494	2,469,154	204,511,836
Less accumulated depreciation:				
Land improvements	2,971,670	-	-	2,971,670
Buildings and improvements	44,303,746	3,355,998	-	47,659,744
Furniture and equipment	3,656,721	569,151	(5,125)	4,220,747
Vehicles	7,620,775	1,043,491	(201,067)	8,463,199
Total accumulated depreciation	58,552,912	4,968,640	(206,192)	63,315,360
Total depreciable assets, net	141,216,276	(2,695,146)	2,675,346	141,196,476
	$ 145,920,861	$ (1,509,673)	$ -	$ 144,411,188

Depreciation expense has been allocated to the following functions: general support $406,105, instruction $4,247,261, pupil transportation $257,602, and school lunch $57,672.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 144,411,188
Bonds, financing leases and related premiums	(72,724,008)
	$ 71,687,180

5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Bonds	$ 76,570,630	$ -	$ 7,857,887	$ 68,712,743	$ 7,875,772
Bond premiums	3,796,619	-	292,048	3,504,571	-
Energy performance contracts	625,490	-	118,796	506,694	125,328
Compensated absences	10,238,000	427,000	-	10,665,000	439,000
Other employee benefits	5,050,000	173,000	-	5,223,000	1,114,000
	$ 96,280,739	$ 600,000	$ 8,268,731	$ 88,612,008	$ 9,554,100

Existing Obligations

Description	Maturity	Rate	Balance
2008 Improvement bond	June 2022	2.88%-3.5%	$ 795,000
2013 Qualified Zone Academy bonds	June 2028	0.53%	2,762,883
2013 Qualified Zone Academy bonds	June 2028	0.53%	17,129,860
2014 Building improvement bond (refinancing)	September 2020	1.0%-5.0%	820,000
2014 Qualified Zone Academy bonds	June 2028	0.39%	2,270,000
2014 Improvement and bus bond	September 2023	2.0%-4.0%	1,820,000
2015 Qualified Zone Academy bonds	June 2029	0.92%	5,105,000
2016 Bus bond	August 2020	1.66%	190,000
2016 Qualified Zone Academy bonds	September 2025	0.0%	855,000
2009 Energy performance contract	January 2024	4.73%-5.39%	506,694
2019 Improvement bond	June 2032	2.125%-5.0%	36,965,000
			$ 69,219,437

Debt Service Requirements

Years ending June 30,	Principal	Interest
2021	$ 8,001,100	$ 1,697,454
2022	7,170,946	1,495,784
2023	6,926,240	1,307,396
2024	6,889,490	1,125,019
2025	6,292,999	954,776
2026-2030	26,848,662	2,424,833
2031-2032	7,090,000	249,150
	$ 69,219,437	$ 9,254,412

6. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 8.86% for 2020. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2020, these rates ranged from 9.4% - 21.4%.

The amount accrued by the District for TRS for the year ended June 30, 2020 was $5,928,535. A liability to ERS of $823,523 is accrued based on the District's legally required contribution for employee services rendered from April 1 through June 30, 2020.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, District reported an asset of $10,057,319 for its proportionate share of the TRS net pension position and a liability of $16,557,645 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2019, the District's proportion was 0.387117%, an increase of 0.002001 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the District's proportion was 0.0625275%, a decrease of 0.0001815 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, the District recognized pension expense of $18,418,472 on the government-wide statements (expense from TRS of $12,437,252 and expense from ERS of $5,981,220). At June 30, 2020, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,815,589	$ 747,882	$ 974,484	$ -
Changes of assumptions	18,999,622	4,632,645	333,393	287,879
Net difference between projected and actual earnings on pension plan investments	-	8,065,452	8,488,254	-
Changes in proportion and differences between contributions and proportionate share of contributions	415,834	340,978	724,400	88,757
District contributions subsequent to the measurement date	5,928,535	-	823,523	-
	$ 32,159,580	$ 13,786,957	$ 11,344,054	$ 376,636

District contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2021	$ 4,560,014	$ 1,850,495
2022	298,654	2,562,973
2023	4,543,522	3,199,503
2024	2,999,695	2,530,924
2025	389,282	-
Thereafter	(347,079)	-
	$ 12,444,088	$ 10,143,895

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%
Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%
Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually
Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation
Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis
Discount rate – 7.1%

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

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 4.2%
COLA – 1.3% annually
Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation
Mortality – Society of Actuaries' Scale MP-2018
Discount rate – 6.8%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

	TRS		ERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	100%		100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those 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.

The following presents the District's proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	$ (45,397,690)	$ 10,057,319	$ 56,577,815
District's proportionate share of the ERS net pension asset (liability)	$ (30,387,953)	$ (16,557,645)	$ (3,819,872)

7. OPEB

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for certain District employees and their spouses based on various bargaining unit agreements and individual contracts. Benefits are provided through a combination of self-funded and community-rated health insurance plans. Eligibility for benefits is based on covered employees who retire from the District at age 55 and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At, June 30, 2019 employees covered by the Plan include:

Active employees	1,491
Inactive employees or beneficiaries currently receiving benefits	570
Inactive employees entitled to but not yet receiving benefits	-
	2,061

Total OPEB Liability

The District's total OPEB liability of $15,545,484 was measured as of March 31, 2020 and was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the National Health Expenditure Projections 2011-2027 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2020 (updated September 2019) for long-term rates, initially 5.20% and an ultimate rate of 4.18% after 2070
Salary increases – 3.22%
Mortality – Pub-2010 Public Retirement Plans Mortality Table, headcount-weighted, without separate contingent survivor mortality; fully generational using Mortality Improvement Scale MP-2019 for retirees and surviving spouses
Discount rate – 2.48% based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date
Inflation rate – 2.22%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	$ 14,702,980
Changes for the year:	
Service cost	445,042
Interest	488,436
Changes of benefit terms	1,370
Differences between expected and actual experience	(173,991)
Changes of assumptions or other inputs	1,030,951
Benefit payments	(949,304)
Net changes	842,504
Balance at June 30, 2020	$ 15,545,484

The following presents the sensitivity of the District's total OPEB liability to changes in the discount rate, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (1.48%)	Discount Rate (2.48%)	1.0% Increase (3.48%)
Total OPEB liability	$ (16,367,265)	$ (15,545,484)	$ (14,743,814)

The following presents the sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rates, including what the District's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.20% to 3.18%)	Healthcare Cost Trend Rate (5.20% to 4.18%)	1.0% Increase (6.20% to 5.18%)
Total OPEB liability	$ (15,014,461)	$ (15,545,484)	$ (16,179,159)

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2020, the District recognized OPEB expense of $1,096,474. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,027,194	$ 290,323
Changes of assumptions or other inputs	861,684	314,500
	$ 1,888,878	$ 604,823

The net amount of deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2021	$ 241,307
2022	241,307
2023	241,307
2024	279,376
2025	107,984
Thereafter	172,774
	$ 1,284,055

8. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Workers' Compensation

The District has chosen to establish self-insured plans for risks associated with employee workers' compensation claims and health insurance. Generally, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The District's exposure is calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the District purchases excess insurance limiting their self-funded rate to $1,000,000 per incident and $1,000,000 in the aggregate.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2020	$ 1,360,000	$ 935,000	$ 795,000	$ 1,500,000
2019	$ 1,620,000	$ 500,000	$ 760,000	$ 1,360,000

Health Insurance

The District's self-funded health insurance coverage includes various plan options. The District provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an approximate 15% allowance for claims run-off and other uncertainties. The District purchases excess insurance that limits exposure to $235,000 per incident.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2020	$ 2,185,000	$ 13,424,000	$ 13,409,000	$ 2,200,000
2019	$ 1,980,000	$ 13,448,000	$ 13,243,000	$ 2,185,000

Estimated liabilities for both plans have been accrued on the government-wide and governmental funds financial statements as they are expected to be paid with currently available financial resources.

9. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Construction Commitments

The District has entered into contracts with various construction companies for several capital projects. District voters approved spending up to $75,000,000, which will be performed in various phases over the next few years. To date, the District has spent $1,167,000. The District also has on-going capital projects that amount to $56,513,000 which are nearing conclusion. All projects have open commitments to contractors in the amount of $79,906,000.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims typically will not have a material adverse effect upon the financial position of the District.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA) which has now been amended twice. Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse can now file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Approximately 40 lawsuits were initiated against the District by former students who allege that inappropriate sexual contact occurred between them and employees of the District between 30 and 50 years ago. The District has retained counsel and to date, the District has not located any insurance for this matter. As of the report date of the financial statements, the District's exposure to these claims has not been determined.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2020 include $1,187,000 for educational supplies and $408,000 for textbooks.

10. Subsequent Events

In August 2020, the District issued $1,163,500 in bond anticipation notes with interest at 1.25%, maturing in August 2021.

11. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools, resulting in a severe disruption of operations for organizations. The extent of COVID-19 on the District's operational and financial performance will depend on further developments, the duration and spread of the outbreak and its impact on school districts, residents, employees, and vendors, none of which can be predicted.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension position	0.387117%	0.385116%	0.391218%	0.386670%	0.390101%	0.388234%	0.389726%
District's proportionate share of the net pension asset (liability)	$ 10,057,319	$ 6,963,923	$ 2,973,643	$ (4,141,399)	$ 40,519,036	$ 43,246,834	$ 2,565,385
District's covered payroll	$ 64,591,874	$ 62,731,163	$ 61,990,239	$ 59,667,098	$ 58,598,426	$ 57,348,189	$ 57,086,407
District's proportionate share of the net pension position as a percentage of its covered payroll	15.57%	11.10%	4.80%	6.94%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
The following is a summary of changes of assumptions:							
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 5,928,535	$ 6,859,657	$ 6,147,654	$ 7,265,256	$ 7,911,857	$ 10,272,304	$ 9,319,081	$ 6,759,021
Contribution in relation to the contractually required contribution	(5,928,535)	(6,859,657)	(6,147,654)	(7,265,256)	(7,911,857)	(10,272,304)	(9,319,081)	(6,759,021)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 66,913,488	$ 64,591,874	$ 62,731,163	$ 61,990,239	$ 59,667,098	$ 58,598,426	$ 57,348,189	$ 57,086,407
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.0625275%	0.0627090%	0.0620890%	0.0651351%	0.0666985%	0.0654566%
District's proportionate share of the net pension liability	$ (16,557,645)	$ (4,443,125)	$ (2,003,888)	$ (6,120,244)	$ (10,705,293)	$ (2,211,283)
District's covered payroll	$ 19,378,661	19,052,904	$ 18,696,414	$ 19,658,393	$ 18,581,980	$ 18,340,435
District's proportionate share of the net pension position as a percentage of its covered payroll	85.44%	23.32%	10.72%	31.13%	57.61%	12.06%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:						
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 2,773,849	$ 2,779,773	$ 2,832,481	$ 3,018,242	$ 3,386,702	$ 3,595,876	$ 3,525,162	$ 3,770,542
Contribution in relation to the contractually required contribution	(2,773,849)	(2,779,773)	(2,832,481)	(3,018,242)	(3,386,702)	(3,595,876)	(3,525,162)	(3,770,542)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,378,661	$ 19,052,904	$ 18,696,414	$ 19,658,393	$ 18,581,980	$ 18,340,435	$ 18,355,278	$ 9,975,927
Contributions as a percentage of covered payroll	14.31%	14.59%	15.15%	15.35%	18.23%	19.61%	19.21%	18.88%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	$ 14,702,980	$ 14,773,927	$ 16,060,007	$ 15,982,125
Changes for the year:				
Service cost	445,042	460,536	463,103	482,122
Interest	488,436	518,916	549,562	483,469
Changes of benefit terms	1,370	-	1,245	-
Differences between expected and actual experience	(173,991)	(251,885)	(457,692)	1,649,734
Changes of assumptions or other inputs	1,030,951	61,539	218,651	(505,104)
Benefit payments	(949,304)	(860,053)	(2,060,949)	(2,032,339)
Net change in total OPEB liability	842,504	(70,947)	(1,286,080)	77,882
Total OPEB liability - ending	$ 15,545,484	$ 14,702,980	$ 14,773,927	$ 16,060,007
Covered-employee payroll	$ 74,148,673	$ 71,835,568	$ 69,533,993	$ 69,533,993
Total OPEB liability as a percentage of covered-employee payroll	21.0%	20.5%	21.2%	23.1%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The following is a summary of health care trend rates and changes of assumptions:

Healthcare cost trend rates	5.20% - 4.18%	5.20% - 4.32%	6.20% - 4.17%	5.30% - 4.17%
Salary increases	3.22%	3.36%	3.31%	3.31%
Discount rate	2.48%	3.44%	3.61%	3.80%
Inflation rate	2.22%	2.36%	2.31%	2.20%
Society of Actuaries' mortality scale	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

Supplementary Information
Schedule of Change from Original to Final Budget and
Calculation of Unrestricted Fund Balance Limit - General Fund

For the year ended June 30, 2020

Original expenditure budget	$ 167,276,161
Encumbrances carried over from prior year	1,341,485
Budget amendment:	
Increase in appropriated fund balance transferred to capital projects	10,000,000
Revised expenditure budget	$ 178,617,646

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Unrestricted Fund Balance	
Assigned	$ 7,914,305
Unassigned	6,765,258
	14,679,563
Encumbrances included in assigned fund balance	(2,114,305)
Appropriated fund balance used for tax levy	(5,800,000)
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	$ 6,765,258
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation	
2021 expenditure budget (unaudited)	$ 169,079,474
4% of budget	6,763,179
Actual percentage of 2021 expenditure budget	4.0%

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2020

Project Title	Original Budget	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance
2014 Capital improvements	$ 51,561,000	$ 49,792,234	$ 2,900	$ 49,795,134	$ 1,765,866
Smart Schools Bond Act	4,951,929	151,323	493,425	644,748	4,307,181
2020 Capital improvements	75,000,000	-	1,166,723	1,166,723	73,833,277
	$ 131,512,929	$ 49,943,557	$ 1,663,048	$ 51,606,605	$ 79,906,324

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Education:			
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-20-0241	$ 1,944,339
Special Education Grants to States	84.027	0032-19-0241	82
Special Education Preschool Grants	84.173	0033-20-0241	53,459
Total Special Education Cluster			1,997,880
Adult Education - Basic Grants to States	84.002	2338-20-3138	11,268
Title I Grants to Local Educational Agencies	84.010	0021-20-0850	1,595,254
Title I Grants to Local Educational Agencies	84.010	0021-19-0850	72,090
Career and Technical Education - Basic Grants to States	84.048	8000-20-0093	37,805
English Language Acquisition State Grants	84.365	0293-20-0850	23,482
English Language Acquisition State Grants	84.365	0293-19-0850	166
Supporting Effective Instruction State Grants	84.367	0147-20-0850	107,257
Supporting Effective Instruction State Grants	84.367	0147-19-0850	25,778
Student Support and Academic Enrichment Program	84.424	0204-20-0850	29,264
Student Support and Academic Enrichment Program	84.424	0204-19-0850	35,351
Total U.S. Department of Education			3,935,595
U.S. Department of Agriculture:			
Passed Through Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	4,176
Passed Through New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	359,011
COVID-19 - School Breakfast Program	10.553	N/A	251,141
National School Lunch Program	10.555	N/A	982,601
COVID-19 - National School Lunch Program	10.555	N/A	422,842
Total Child Nutrition Cluster			2,015,595
Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects	10.592	N/A	37,530
Passed Through New York State Office of General Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	233,795
Total U.S. Department of Agriculture			2,291,096
Total Expenditures of Federal Awards			$ 6,226,691

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Indirect Costs

Indirect costs are allocated to Federal funds using a formulaic approach at an amount less than the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2020, the District used $233,795 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

Lumsden McCormick LLP
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INDEPENDENT AUDITORS' 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*

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Lumsden & McCormick, LLP

October 5, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

Report on Compliance for Each Major Federal Program

We have audited Kenmore-Town of Tonawanda Union Free School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Lumsden & McCormick, LLP

October 5, 2020

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Special Education Cluster:		
Special Education Grants to States	84.027	$ 1,944,421
Special Education Preschool Grants	84.173	53,459
		$ 1,997,880

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.