

PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUE

BOND ANTICIPATION NOTES

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

The Notes will be "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

\$6,242,406

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

JEFFERSON COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$6,242,406 Bond Anticipation Notes, 2020

(the "Notes")

Dated: June 18, 2020

Due: June 18, 2021

The Notes are general obligations of the Sackets Harbor Central School District, Jefferson County, New York (the "District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued in book-entry only form or registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, except for one necessary odd denomination, as may be determined by such successful bidder(s).

Alternatively, at the option of the purchaser(s), the Notes will be registered in either the name of the successful bidder(s) or in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC"). If the Notes are registered in the name of the purchaser(s), a single note certificate will be issued for the Notes and principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as selected by the successful bidder(s).

If the Notes are registered in the name of Cede & Co, the Notes shall be issued in book-entry-only form and will be delivered to DTC, which will act as securities depository for the Notes. As book-entry-only securities, beneficial owner(s) will not receive certificates representing their interest in the Notes and a single note certificate will be issued for the Notes bearing the same rate of interest and CUSIP number. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Syracuse, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), or about June 18, 2020.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on May 27, 2020 by no later than 10:15 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

May 18, 2020

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT JEFFERSON COUNTY, NEW YORK

2019-2020 BOARD OF EDUCATION

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District Clerk

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Treasurer



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



TRESPASZ & MARQUARDT, LLP
BOND COUNSEL

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

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
SACKETS HARBOR CENTRAL SCHOOL DISTRICT
JEFFERSON COUNTY, NEW YORK

Relating To
\$6,242,406 Bond Anticipation Notes, 2020

This Official Statement, which includes the cover page and appendices, has been prepared by the Sackets Harbor Central School District, Jefferson County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$6,242,406 principal amount of Bond Anticipation Notes, 2020 (the "Notes").

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

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

NATURE OF OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

THE NOTES

Description of the Notes

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

The Notes are dated June 18, 2020 and mature, without option of prior redemption, on June 18, 2021. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in denominations of \$5,000 each or multiples thereof, except for one necessary odd denomination, 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 registered book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution adopted by the Board of Education on June 20, 2017 authorizing a capital project in the amount of \$7,942,406 and the issuance of \$6,242,406 serial bonds or notes for various improvements and reconstruction of District buildings and facilities. The proceeds of the Notes will redeem and renew \$5,250,000 bond anticipation notes outstanding and maturing on June 19, 2020, and will provide \$992,406 new money for this purpose.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The District, encompassing approximately 70 square miles, is located on the eastern shore of Lake Ontario, about 10 miles west of Watertown. Major highways serving the District include The New York State Thruway (I #90), State Route #690 and Route #81. Bus service to the District is provided by both the Centro and Syracuse & Oswego Bus Companies.

The District is primarily residential and commercial in nature, and includes portions of the Towns of Adams, Henderson, and Hounsfield. There are numerous commercial establishments located within the District, including Lawman Heating & Cooling. Residential properties are mostly single-family homes, but there are apartment and condominium developments.

The population of the Village of Sackets Harbor is approximately 1,450 persons year-round. The area enjoys substantial commerce from the tourism industry and the population increases to approximately 3,500 in the Village during the summer. The restoration of the Madison Barracks, a historic site, promotes further tourist activity. Lawler Reality has completed Stages I and II of a prospective three-phase 90-unit rental housing apartment complex in the Madison Barracks with 50 of the 90 units completed and rented. This housing is best described as “fair market housing” that is attractive to meeting the Fort Drum housing needs. The development includes plans for single family housing in sub-divided lots along the shore of Lake Ontario that are characterized as “high-end” building lots. The initial construction of this family housing is underway. Infrastructure improvements continue to accommodate the sub-division of these parcels.

Police protection is afforded residents by Village, Town, County and State agencies. Fire protection is provided by various volunteer groups. Gas and electricity are furnished by National Grid. Sewer treatment is provided by the Village of Sackets Harbor.

The Village of Sackets Harbor and the Town of Hounsfield have combined resources to hire an economic promotions agent to promote new businesses and developments within the District. This orchestrated effort will help oversee any expansion or enhancements to the economic base.

Source: District officials.

Population

The current estimated population of the District is 3,284. (Source: 2018 U.S. Census Bureau estimate.)

Larger Employers

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

<u>Employer Name</u>	<u>Type</u>	<u>Number of Employees</u>
Lawman Heating & Cooling	Heating & Cooling	185
Sackets Harbor Central Schools	Education	80
Tin Pan Galley	Restaurant	35
Village of Sackets Harbor	Municipality	27
Madison Barracks	Living Quarters	25

Source: District officials.

Selected Wealth and Income Indicators

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

	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>
Towns of:						
Adams	\$ 17,707	\$ 24,398	\$ 25,020	\$ 48,354	\$ 61,154	\$ 71,226
Henderson	20,071	28,305	37,781	45,357	67,679	75,833
Hounsfield	19,806	28,733	32,668	47,742	71,827	68,224
County of:						
Jefferson	16,202	21,823	25,884	39,296	51,834	61,483
State of:						
New York	23,389	30,948	37,470	51,691	67,405	80,419

Note: 2015-2019 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau 2000 census, and 2006-2010 and 2014-2018 5-Year 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 of Jefferson. The information set forth below with respect to the County and State of New York are included for informational purposes only. It should not be inferred from the inclusion of such data in this Continuing Disclosure Statement that the County or State is necessarily representative of the District, or vice versa.

	<u>Annual Averages</u>						
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Jefferson County	9.2%	7.6%	6.6%	6.2%	6.5%	5.6%	5.6%
New York State	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%

	<u>2020 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>
Jefferson County	7.5%	7.1%	7.5%	N/A	N/A	N/A
New York State	4.1%	3.9%	4.4%	N/A	N/A	N/A

Note: Unemployment rates for April through June 2020 are unavailable as of the date of this Official Statement.

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

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of five members with overlapping five-year terms so that, as nearly as possible, an equal number is elected to the Board each year. Each Board member must be a qualified voter of the District and no Board member may hold certain other District offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Budgetary Procedures

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

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

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

Recent Budget Vote Results

The budget for the 2019-20 fiscal year was approved by qualified voters on May 21, 2019 with a vote of 131 to 31. The District’s adopted budget for the 2019-20 fiscal year remained within the School District Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.99%, which was below the District’s tax levy limit of 3.83%.

The proposed budget for the 2020-21 fiscal year will be presented to qualified voters on June 9, 2020. The District’s proposed budget for the 2020-21 fiscal year remains within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.99%, which is below the District tax levy limit of 5.48%.

Investment Policy

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

Consistent with the above statutory limitations, it is the District’s current policy to invest in: (1) Savings Accounts, Now Accounts or Money Market Accounts of designated banks, (2) Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State, (3) Demand Deposit Accounts in a bank or trust company authorized to do business in New York State, (4) Obligations of New York State, (5) Obligations of the United States Government (U.S. Treasury Bills and Notes), (6) Repurchase Agreements involving the purchase and sale of direct obligations of the United States.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2020-2021 fiscal year, approximately 49.49% 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 outbreak and continuing effects of the COVID-19 health crisis in the State may have a significant, adverse effect on the State’s financial condition, including reduction of State aid payable to School Districts. See “MARKET AND RISK FACTORS” herein.

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

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to Dec. 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically. (See “State Aid History” herein).

Potential Reductions in Federal Aid Received by the State

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

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

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

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

Building Aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-2020 preliminary building aid ratios, the District expects to receive State building aid of approximately 79.6% 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 to school districts within the State has declined in some recent years before increasing again in more recent years.

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

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

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately \$2,580,380. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

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

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

School District Fiscal Year (2020-21): The 2020-21 Enacted Budget includes a year-to-year funding increase for State aid of \$95.0 million of .035%. Foundation Aid to school districts is frozen at the same level as the 2019-2020 fiscal year; while other aids, calculated according to formulas in current law, are responsible for the increase. The State's 2020-2021 Enacted Budget includes \$10 million in new funding for grants to school districts for student mental health services. It should be noted that there was an actual year-to-year decrease of State aid implemented through a reduction of each school district's State aid allocation from the 2019-2020 fiscal year. The reduction is being referred to as a "Pandemic Adjustment." However, the decrease in State aid is expected to be fully offset by an allocation received by the State of funds from the recently approved federal stimulus bill. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State aid from the 2019-2020 fiscal year. In addition, 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% of estimates or If actual disbursements exceed 101% of estimates. See "State Aid" herein for a discussion of this provision set forth in the 2020-2021 Enacted Budget.

State Aid Litigation

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

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

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

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

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

State Aid Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total State Aid</u> ⁽¹⁾	<u>Percentage of Total Revenues Consisting of State Aid</u>
2014-2015	\$ 7,616,281	\$ 3,510,748	46.10%
2015-2016	7,939,479	3,670,921	46.24
2016-2017	8,207,946	3,979,079	48.48
2017-2018	8,367,468	3,982,774	47.60
2018-2019	8,571,109	4,107,789	47.93
2019-2020 (Budgeted)	8,580,517	4,199,753	48.95
2020-2021 (Proposed)	8,841,315	4,375,657	49.49

⁽¹⁾ General Fund only.

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

District Facilities

The District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
Sackets Harbor Central School	K-12	600	1928, '52, '67, '93, '99 ⁽¹⁾

⁽¹⁾ The addition in 1993 added an Elementary Wing and the 1999 addition added a Second Wing and Gymnasium.

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-2016	452	2020-2021	445
2016-2017	448	2021-2022	445
2017-2018	454	2022-2023	450
2018-2019	436	2023-2024	450
2019-2020	426	2024-2025	450

Source: District officials.

Employees

The District employs a total of approximately 80 employees with representation by the following union listed below:

<u>Employees Represented</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
41	New York State United Teachers' (NYSUT)	June 30, 2021

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 fiscal years and budgeted figures for the 2020-2021 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	\$ 141,291	\$ 344,471
2016-2017	115,686	302,624
2017-2018	134,190	270,137
2018-2019	127,701	287,609
2019-2020	147,276	280,197
2020-2021 (Proposed)	155,699	305,822

Source: District records.

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

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

A chart of average ERS and TRS rates as a percent of payroll (2017 to 2021) is shown below:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2016-17	15.5%	11.72%
2017-18	15.3	9.80
2018-19	14.9	10.62
2019-20	14.6	8.86
2020-21	14.6	9.53 ⁽¹⁾

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

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

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

The District contracted with BPAS, an actuarial firm, to calculate its actuarial valuations under GASB 75 for the fiscal years ending June 30, 2018 and June 30, 2019.

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

	Balance beginning at June 30:	2017	2018
<u>Changes for the year:</u>		<u>\$ 28,673,696</u>	<u>\$ 26,905,938</u>
Service cost		1,041,702	891,972
Interest		859,403	978,678
Changes in benefit terms		-	-
Differences between expected and actual experience		-	-
Changes in assumptions or other inputs		(3,101,309)	(1,050,317)
Benefit payments		<u>(567,554)</u>	<u>(613,904)</u>
Net Changes		<u>\$ (1,767,758)</u>	<u>\$ 206,429</u>
	Balance ending at June 30:	2018	2019
		<u>\$ 26,905,938</u>	<u>\$ 27,112,367</u>

Note: The above table is not audited. For additional information see "APPENDIX – C" attached hereto.

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2019 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 is required to issue 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. The District is currently in full compliance with GASB Statement No. 34.

Bowers & Company CPAs PLLC, the independent auditor for the District, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Bowers & Company CPAs PLLC also has not performed any procedures relating to this Official Statement.

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on June 10, 2016. The purpose of the audit was to assess the District's financial condition for the period July 1, 2014 through November 30, 2015.

Key Findings:

- The Board of Education has consistently overestimated appropriations by about 9 percent in its adopted budgets over the past three years.
- Unassigned fund balance has exceeded the 4 percent legal limit during the same period.
- The District does not have a multiyear financial plan or a formal capital plan.

Key Recommendations:

- Develop realistic estimates of appropriations and the use of fund balance in the annual budget.
- Ensure that the District's unassigned fund balance is in compliance with statutory limits.
- Formulate long-term multiyear operations and capital plans for the use of excess unassigned fund balance in the general fund.

The District provided a complete response to the State Comptroller's office on May 6, 2016. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

The State Comptroller's office released an audit report of the District on January 17, 2020. The purpose of the audit was to Determine whether the District's network was adequately secure to protect the student management system (SMS) against unauthorized use, access and loss for the period July 1, 2017 through July 23, 2019.

Key Findings:

- Establish written procedures for password management, wireless security, remote access and managing user access rights.
- Disable unneeded network user accounts and adequately restrict user permissions to the network and user computers based on job duties.
- Develop a written disaster recovery plan.

Key Recommendations:

- Adopt comprehensive procedures over password management, wireless security and remote access.
- Develop procedures for adding, removing and modifying user access rights to the network and user computers.
- Evaluate user accounts and permissions and ensure unneeded user accounts are disabled and unnecessary permissions are removed.
- Develop a disaster recovery plan.

The District provided a complete response to the State Comptroller's office on January 3, 2020. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

The State Comptroller's Fiscal Stress Monitoring System

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

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

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

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

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

Note: Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Adams	\$ 3,779,010	\$ 3,853,327	\$ 3,905,264	\$ 3,991,915	\$ 3,930,336
Henderson	10,063,253	10,059,905	10,107,427	10,481,453	10,847,745
Hounsfield	314,852,327	312,727,873	317,168,955	319,884,708	324,020,911
Total Assessed Values	<u>\$ 328,694,590</u>	<u>\$ 326,641,105</u>	<u>\$ 331,181,646</u>	<u>\$ 334,358,076</u>	<u>\$ 338,798,992</u>

State Equalization Rates

Towns of:					
Adams	100.00%	100.00%	100.00%	100.00%	100.00%
Henderson	100.00%	100.00%	100.00%	100.00%	100.00%
Hounsfield	100.00%	100.00%	96.00%	91.00%	91.00%
Total Taxable Full Valuation	<u>\$ 328,694,590</u>	<u>\$ 326,641,105</u>	<u>\$ 344,397,019</u>	<u>\$ 365,995,025</u>	<u>\$ 370,845,016</u>

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Adams	\$ 11.95	\$ 12.21	\$ 11.79	\$ 11.32	\$ 11.39
Henderson	11.95	12.19	11.79	11.32	11.39
Hounsfield	11.95	12.19	12.28	12.43	12.52

Tax Collection Procedure

By contractual agreement with the County, the District has authorized the installment payment of School Tax levies. School taxes are levied September 1 each year and, if not paid in installments, such taxes must be paid in full by September 30.

The taxpayer may elect to pay in three monthly installments. The first installment is paid to the School Tax Collector by September 30 in an amount of one-third of the total tax levy, plus 2% service charge to the School Tax Collector. The second installment is due by October 31 and is paid to the County Treasurer. The third and final installment is due by November 30 and is payable to the County Treasurer. If any installment is incomplete, the installment agreement becomes void.

All unpaid taxes (either in full or in installments) as of October 31 are returned to the County Treasurer for collection. The County Treasurer must pay the amount of unpaid taxes to the District no later than the forthcoming April 1, thereby assuring 100% tax collection annually. Tax sales are held annually by the County.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Tax Levy	\$ 3,929,264	\$ 3,981,642	\$ 4,061,075	\$ 4,141,281	\$ 4,223,899
Amount Uncollected ⁽¹⁾	446,587	448,232	465,733	453,957	443,245
% Uncollected	11.37%	11.26%	11.47%	10.96%	10.49%

⁽¹⁾ See "Tax Collection Procedure" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for the below fiscal years comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2014-2015	\$ 7,616,281	\$ 3,521,978	46.24%
2015-2016	7,870,759	3,584,101	45.54
2016-2017	8,207,946	3,639,349	44.34
2017-2018	8,367,468	3,733,047	44.16
2018-2019	8,571,109	3,823,053	44.60
2019-2020 (Budgeted)	8,580,517	4,223,899	49.23
2020-2021 (Proposed)	8,841,315	4,308,165	48.73

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

Larger Taxpayers 2020 Tax Roll for 2019-20

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
National Grid	Utility	\$ 8,840,327
Madison Barracks, LLC	Apartments	5,466,300
Fort Pike Commons Apartments	Apartments	5,040,000
Galloo Island Corporation	Commercial	3,310,200
Phillips 66 Company	Utility	2,725,700
Ronald Robbins Corp	Commercial	2,323,299
Claudia Maurer Trustee	Commercial	2,188,300
Liberty Sackets Harbor, LLC ⁽¹⁾	Commercial	1,776,100
Ed Mereand	Commercial	1,719,600
Campbells Point Association	Apartments	1,604,600

⁽¹⁾ The District currently has a pending tax petition from Liberty Sackets Harbor, LLC seeking an assessment reduction. The company has been offered a 10% reduction; however, negotiations are still underway as of the date of this Official Statement.

The ten larger taxpayers have a total full valuation of \$34,994,426, which represents 9.44% of the tax base of the District for the 2019-2020 fiscal year.

Source: District tax rolls.

STAR – School Tax Exemption

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

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of \$88,050 or less, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a "basic" exemption on their primary residence.

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

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

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Adams	\$ 69,800	\$ 30,000	4/10/2020
Henderson	69,800	30,000	4/10/2020
Hounsfield	63,520	27,300	4/10/2020

\$316,527 of the District's \$4,141,281 school tax levy for the 2018-2019 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2019.

\$296,580 of the District's projected \$4,223,899 school tax levy for the 2019-2020 fiscal year is expected to be exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2020.

Additional Tax Information

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

Senior citizens' and disability exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: 62% residential, 30% commercial, and 8% industrial.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the District is approximately \$2,465 including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

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

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

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

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

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, and was signed into law by the Governor on June 26, 2015. The program began in 2016, and was fully phased in 2019.

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Statutory Procedure

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

The District has the power to contract indebtedness for any District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment rolls by the equalization rates established by the State Office of Real Property Services in accordance with applicable State law.

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 4,077,996	\$ 3,533,229	\$ 2,971,751	\$ 2,391,927	\$ 1,767,406
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,250,000</u>
Total Debt Outstanding	\$ 4,077,996	\$ 3,533,229	\$ 2,971,751	\$ 2,391,927	\$ 7,017,406

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of May 18, 2020.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2020-2025	\$ 1,833,633
<u>Bond Anticipation Notes</u>	-	<u>5,250,000</u> ⁽¹⁾
	Total Indebtedness	\$ 7,083,633

⁽¹⁾ To be redeemed and renewed with the proceeds of the Notes.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 18, 2020:

Full Valuation of Taxable Real Property	\$ 870,845,016
Debt Limit – 10% thereof	37,084,502

Inclusions:

Bonds.....	\$ 1,833,633
Bond Anticipation Notes	5,250,000
Principal of this Issue	<u>6,242,406</u>
Total Inclusions	<u>\$ 13,326,039</u>

Exclusions:

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

Total Net Indebtedness \$ 13,326,039

Net Debt-Contracting Margin \$ 23,758,463

The percent of debt contracting power exhausted is 35.93%

⁽¹⁾ Based on preliminary 2020-2021 building aid estimates, the District anticipates State Building aid of 79.6% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

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

Capital Project Plans

On May 16, 2017, the voters of the District approved a \$7,942,406 capital project for the renovation and reconstruction of the building and grounds of Sackets Harbor Central School and the main building, and improvements at the bus garage. The project will utilize \$1,700,000 from the District's capital reserve fund. Phase 1 of the project was approved by the New York State Education Department on October 25, 2017. Phase 2 of the project was approved by the State Education Department on September 10, 2018, with construction beginning May 2019. \$5,250,000 bond anticipation notes were issued on June 20, 2019 as the first borrowing for this project.

The District annually issues serial bonds for the purchase of buses. The District issued \$118,633 serial bonds for this purpose on August 29, 2019, and the District intends to issue bonds of a similar amount for this purpose in 2020.

There are presently no other capital projects authorized and unissued by the District.

Cash Flow Borrowings

The District, historically, does not issue tax anticipation notes and/or revenue anticipation notes. However, although the degree of the impact of COVID-19 on the operations and finances of the District is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, the District may consider the issuance of additional obligations in the coming fiscal year to address cash flow needs.

Estimated Overlapping Indebtedness

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

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Jefferson	12/31/2018	\$ 33,772,433	\$ 5,242,433	\$ 28,530,000	4.30%	\$ 1,226,790
Town of:						
Adams	12/31/2018	1,043,350	280,050	763,300	1.30%	9,923
Henderson	12/31/2018	-	-	-	3.03%	-
Hounsfield	12/31/2018	5,790,771	5,790,771	-	90.67%	-
Village of:						
Sackets Harbor	5/31/2019	6,030,500	1,713,000	4,317,500	100.00%	4,317,500
					Total:	<u>\$ 5,554,213</u>

⁽¹⁾ Bonds and bond anticipation notes are as of the close of the respective fiscal years, and are not adjusted to include subsequent bond or note 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 2018 and 2019.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of May 18, 2020:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 13,326,039	\$ 4,057.87	3.59%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	18,880,252	5,749.16	5.09

(a) The 2018 estimated population of the District is 3,284. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2018-20 fiscal year is \$370,845,016. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

(d) Estimated net overlapping indebtedness is \$5,554,213. (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 such as the District 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 the provisions of the Local Finance Law do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

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

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

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

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

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

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

MARKET AND RISK FACTORS

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

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

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

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

COVID-19. The outbreak of COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. Pursuant to Executive Order, the District suspended on-site instruction effective March 16, 2020, which suspension was recently extended for the balance of the academic year.

The amount of State aid to the District is dependent in part upon the financial condition of the State. With no assurance of direct Federal aid and in awareness that collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements, the State's 2020 Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year.

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

The degree of the impact of COVID-19 on the operations and finances of the District is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State aid paid to the District. Any delay or reduction in State aid payments to the District would have a negative impact on the District's finances and operations.

TAX MATTERS

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

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

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

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

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

LEGAL MATTERS

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

LITIGATION

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

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

CONTINUING DISCLOSURE

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

Historical Compliance

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

If the Notes are issued in book-entry-only format, 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 not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s) pending the approval of the District, including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA and/or the provision of a supplement to the final Official Statement.

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

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

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

The District's contact information is as follows: Ms. Julie Gayne, Treasurer, District Offices, P.O. Box 290, Sackets Harbor, New York, Phone: (315) 646-3575, Fax: (315) 646-1038, Email: jgayne@sacketspatriots.org.

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Dated: May 18, 2020

DALE PHILLIPS
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>ASSETS</u>					
Cash	\$ 1,530,116	\$ 1,311,617	\$ 1,089,895	\$ 945,883	\$ 973,875
Restricted Cash	743,750	1,194,870	21,719	417,919	818,548
Due from Other Funds	100,294	84,500	79,745	98,522	161,122
Due from Other Governments	89,178	88,124	141,121	95,368	105,799
State and Federal Aid Receivable	66,624	61,216	88,831	113,987	64,594
Other	1,317	159	-	-	-
	<u>1,317</u>	<u>159</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,531,279</u></u>	<u><u>\$ 2,740,486</u></u>	<u><u>\$ 1,421,311</u></u>	<u><u>\$ 1,671,679</u></u>	<u><u>\$ 2,123,938</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accrued Liabilities	\$ 5,381	\$ 15,069	\$ 26,480	\$ 34,283	\$ -
Due to Other Funds	-	-	1,794	-	7,179
Due to Teachers' Retirement System	467,727	376,889	343,164	292,183	314,896
Due to Employees' Retirement System	40,644	42,534	37,068	39,164	38,906
Deferred Reveneus	-	4,000	4,000	4,000	4,000
	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
TOTAL LIABILITIES	<u>513,752</u>	<u>438,492</u>	<u>412,506</u>	<u>369,630</u>	<u>364,981</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	743,750	1,194,870	21,719	417,919	818,548
Assigned	550,000	470,000	410,000	385,000	550,000
Unassigned	719,777	637,124	577,086	499,130	390,409
	<u>719,777</u>	<u>637,124</u>	<u>577,086</u>	<u>499,130</u>	<u>390,409</u>
TOTAL FUND EQUITY	<u>2,013,527</u>	<u>2,301,994</u>	<u>1,008,805</u>	<u>1,302,049</u>	<u>1,758,957</u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 2,527,279</u></u>	<u><u>\$ 2,740,486</u></u>	<u><u>\$ 1,421,311</u></u>	<u><u>\$ 1,671,679</u></u>	<u><u>\$ 2,123,938</u></u>

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 3,445,952	\$ 3,521,978	\$ 3,584,101	\$ 3,639,349	\$ 3,733,047
Other Tax Items	349,887	350,818	366,709	366,473	351,186
Charges for Services	4,786	5,693	6,505	6,905	4,919
Use of Money & Property	1,838	4,381	4,690	4,845	7,402
Sale of Property and					
Compensation for Loss	29,659	4,126	6,047	6,124	19,384
Miscellaneous	126,743	115,928	140,061	111,451	152,966
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	3,265,277	3,510,748	3,670,921	3,979,079	3,982,774
Revenues from Federal Sources	96,018	102,609	91,725	93,720	115,790
Total Revenues	<u>\$ 7,320,160</u>	<u>\$ 7,616,281</u>	<u>\$ 7,870,759</u>	<u>\$ 8,207,946</u>	<u>\$ 8,367,468</u>
Other Sources:					
Interfund Transfers	-	-	68,720	-	-
Reserve for Debt	-	-	-	-	-
Retirement System Credit	-	-	-	-	-
Total Revenues and Other Sources	<u>7,320,160</u>	<u>7,616,281</u>	<u>7,939,479</u>	<u>8,207,946</u>	<u>8,367,468</u>
<u>EXPENDITURES</u>					
General Support	\$ 769,979	\$ 790,168	\$ 767,334	\$ 847,050	\$ 863,525
Instruction	3,512,750	3,567,326	3,757,761	3,825,822	3,934,343
Pupil Transportation	319,973	311,390	320,322	290,244	352,187
Community Services	-	-	-	-	-
Employee Benefits	1,974,989	2,028,064	1,971,544	2,006,750	2,087,965
Debt Service	829,372	825,174	829,594	824,377	828,876
Total Expenditures	<u>\$ 7,407,063</u>	<u>\$ 7,522,122</u>	<u>\$ 7,646,555</u>	<u>\$ 7,794,243</u>	<u>\$ 8,066,896</u>
Other Uses:					
Interfund Transfers	5,062	3,781	4,457	1,706,892	7,328
Reserve for Debt	-	-	-	-	-
Retirement System Credit	-	-	-	-	-
Total Expenditures and Other Uses	<u>7,412,125</u>	<u>7,525,903</u>	<u>7,651,012</u>	<u>9,501,135</u>	<u>8,074,224</u>
Excess (Deficit) Revenues Over Expenditures	<u>(91,965)</u>	<u>90,378</u>	<u>288,467</u>	<u>(1,293,189)</u>	<u>293,244</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	2,015,114	1,923,149	2,013,527	2,301,994	1,008,805
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,923,149</u>	<u>\$ 2,013,527</u>	<u>\$ 2,301,994</u>	<u>\$ 1,008,805</u>	<u>\$ 1,302,049</u>

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

GENERAL FUND

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

Fiscal Years Ending June 30:

	2019			2020	2021
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adopted</u>	<u>Proposed</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	<u>Budget</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 3,824,281	\$ 3,824,281	\$ 3,823,053	\$ 4,223,899	\$ 4,308,165
Other Tax Items	341,978	341,978	343,481	25,216	25,344
Charges for Services	4,480	4,480	5,001	3,232	3,232
Use of Money & Property	3,626	3,626	11,386	6,626	6,626
Sale of Property and					
Compensation for Loss	7,000	7,000	8,818	6,000	6,500
Miscellaneous	71,509	71,509	133,581	85,791	85,791
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	4,131,314	4,131,314	4,107,789	4,199,753	4,375,657
Revenues from Federal Sources	30,000	30,000	138,000	30,000	30,000
Total Revenues	<u>\$ 8,414,188</u>	<u>\$ 8,414,188</u>	<u>\$ 8,571,109</u>	<u>\$ 8,580,517</u>	<u>\$ 8,841,315</u>
Other Sources:					
Interfund Transfers	-	-	-	-	-
Reserve for Debt	-	-	-	-	-
Retirement System Credit	-	-	-	-	-
Total Revenues and Other Sources	<u>8,414,188</u>	<u>8,414,188</u>	<u>8,571,109</u>	<u>8,580,517</u>	<u>8,841,315</u>
<u>EXPENDITURES</u>					
General Support	\$ 984,986	\$ 984,988	\$ 821,580	\$ 1,370,138	\$ 1,035,917
Instruction	4,245,470	4,245,468	4,006,381	4,448,749	4,431,647
Pupil Transportation	378,733	378,733	319,337	387,537	391,955
Community Services	1,017	1,017	-	1,017	1,017
Employee Benefits	2,331,929	2,331,929	2,121,204	2,292,482	2,359,237
Debt Service	842,053	842,053	837,612	607,094	986,042
Total Expenditures	<u>\$ 8,784,188</u>	<u>\$ 8,784,188</u>	<u>\$ 8,106,114</u>	<u>\$ 9,107,017</u>	<u>\$ 9,205,815</u>
Other Uses:					
Interfund Transfers	15,000	15,000	8,087	23,500	20,500
Reserve for Debt	-	-	-	-	-
Retirement System Credit	-	-	-	-	-
Total Expenditures and Other Uses	<u>8,799,188</u>	<u>8,799,188</u>	<u>8,114,201</u>	<u>9,130,517</u>	<u>9,226,315</u>
Excess (Deficit) Revenues Over Expenditures	<u>(385,000)</u>	<u>(385,000)</u>	<u>456,908</u>	<u>(550,000)</u>	<u>(385,000)</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	385,000	385,000	1,302,049	550,000	385,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,758,957</u>	<u>\$ -</u>	<u>\$ -</u>

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

APPENDIX - B
Sackets Harbor CSD

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal		Interest		Total
2020	\$	402,406	\$	27,694.85	\$ 430,100.85
2021		403,633		28,196.71	431,829.71
2022		390,000		20,876.88	410,876.88
2023		375,000		14,471.25	389,471.25
2024		355,000		7,037.50	362,037.50
2025		25,000		187.50	25,187.50
TOTALS	\$	1,951,039	\$	98,464.69	\$ 2,049,503.69

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2014 Buses			2015 Buses		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 25,000	\$ 312.50	\$ 25,312.50	\$ 25,000	\$ 875.00	\$ 25,875.00
2021	-	-	-	25,000	296.88	25,296.88
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
TOTALS	\$ 25,000	\$ 312.50	\$ 25,312.50	\$ 50,000	\$ 1,171.88	\$ 51,171.88

Fiscal Year Ending June 30th	2016 Buses			2017 Buses		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 25,000	\$ 1,281.25	\$ 26,281.25	\$ 25,000	\$ 2,105.00	\$ 27,105.00
2021	25,000	781.25	25,781.25	25,000	1,667.50	26,667.50
2022	25,000	265.63	25,265.63	25,000	1,142.50	26,142.50
2023	-	-	-	30,000	427.50	30,427.50
TOTALS	\$ 75,000	\$ 2,328.13	\$ 77,328.13	\$ 105,000	\$ 5,342.50	\$ 110,342.50

Fiscal Year Ending June 30th	2018 Buses			2019 Buses		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 17,406	\$ 4,225.16	\$ 21,631.16	\$ -	\$ -	\$ -
2021	25,000	2,435.00	27,435.00	18,633	2,391.09	21,024.09
2022	25,000	1,806.25	26,806.25	25,000	1,312.50	26,312.50
2023	25,000	1,106.25	26,106.25	25,000	937.50	25,937.50
2024	25,000	375.00	25,375.00	25,000	562.50	25,562.50
2025	-	-	-	25,000	187.50	25,187.50
TOTALS	\$ 117,406	\$ 9,947.66	\$ 101,978.66	\$ 118,633	\$ 5,391.09	\$ 73,274.09

Fiscal Year Ending June 30th	2019 Refunding of 2009 Bonds		
	Principal	Interest	Total
2020	\$ 285,000	\$ 18,895.94	\$ 303,895.94
2021	285,000	20,625.00	305,625.00
2022	290,000	16,350.00	306,350.00
2023	295,000	12,000.00	307,000.00
2024	305,000	6,100.00	311,100.00
2025	-	-	-
TOTALS	\$ 1,460,000	\$ 73,970.94	\$ 1,533,970.94

MATERIAL EVENT NOTICES

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

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

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

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

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

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

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

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

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

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

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

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**SACKETS HARBOR CENTRAL SCHOOL DISTRICT
JEFFERSON COUNTY, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2019

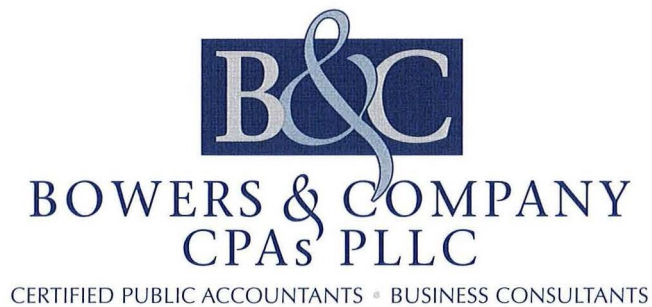
The Audited Financial Statements, including opinion, were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

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INDEPENDENT AUDITOR'S REPORT

BOARD OF EDUCATION SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sackets Harbor Central School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-26), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 85), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 86-87), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 88), and Schedule of District's Contributions - NYSLRS Pension Plan (page 89) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

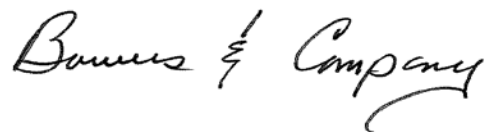
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sackets Harbor Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 90-94) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 90-94) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 90-94) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the Sackets Harbor Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Sackets Harbor Central School 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 Sackets Harbor Central School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
September 16, 2019

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

INTRODUCTION

The following is a discussion and analysis of Sackets Harbor Central School District's financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The School District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The Board of Education is the governing body elected by the residents of the School District. Their mission is to maintain certain standards in excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the School District's attempt at completing this mission.

- For the year ending June 30, 2019, total revenues of \$9,280,198 were \$341,608 more than the \$8,938,590 in expenses. The surplus of \$341,608 was added to the Net Position beginning of the year balance of (\$18,316,990), as restated, for an ending Net Position of (\$17,975,382) at June 30, 2019.
- The School District's portion of Assigned General Fund balance designated to reduce real estate taxes in 2019-2020 is \$550,000 or 58% of the Assigned and Unassigned General Fund balance. At June 30, 2019, the General Fund Unassigned Fund Balance is \$390,409 or 4.28% of the 2019-2020 budget.
- The total property assessment for the School District in the 2018-2019 school year was \$334,358,076, which was a \$3,176,430 or 0.96%, increase over the 2017-2018 school year. A revaluation was complete in 2009. The true value tax rate for 2018-2019 was \$11.32 per thousand of assessment.
- The School District employs about 80 full and part time employees. The one union (Teachers Union) has a collective bargaining agreement in place until June 30, 2021.
- Total ending enrollment for the 2018-2019 school year was 436, a decrease of 2 students from the 2017-2018 school year. Our projected enrollment for fall 2019 is 431 students, which is a slight decrease for the district from previous years and similar to the current enrollment changes in neighboring school districts in the county. The economic climate of the country has left some of the new housing unoccupied, but should result in an increase in enrollment in the coming years.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL HIGHLIGHTS - Continued

- The District has maintained standards set by the New York State Education Department for the testing of their students to achieve mastery in certain core subjects at or above the levels set by the State Education Department for the year ending June 30, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

The following summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

District-Wide Statements

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The *statement of net position* includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *statement of activities*, regardless of when cash is received or paid.

The two district-wide statements report the School District's *net position* and how they have changed. Net position, the difference between the School District's assets and deferred outflows of resources less liabilities and deferred inflows of resources, are one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are shown as *Governmental Activities*. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State and Federal aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FUND FINANCIAL STATEMENTS - Continued

The district has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17,975,382 at the close of the most recent fiscal year. This represents a \$341,608 increase in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2019, the OPEB liability was \$27,112,367 compared to \$26,905,938 reported at the close of the prior fiscal year. The overall decrease in net position in the current fiscal year is largely due to two factors. First is the net change in the OPEB liability recognized in the current year which resulted in a negative change of \$206,429. The second is the net increase in deferred inflows of resources over deferred outflows of resources related to the OPEB liability of \$313,121. The net impact of these two items, of \$519,550, ultimately resulted in the current year decrease. See Note 12 for additional OPEB information.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The following schedule summarizes the School District's Net Position. The complete Statement of Net Position can be found in the School District's basic financial statements.

**Condensed Statement of Net Position
Comparison 2018-2019 and 2017-2018 (Restated)**

	2018-2019	2017-2018 (Restated)
Assets		
Current and Other Assets	\$ 6,795,835	\$ 2,889,930
Capital Assets, Net	11,184,017	9,140,260
Net Pension Asset - Proportionate Share	306,676	131,176
Total Assets	<u>\$ 18,286,528</u>	<u>\$ 12,161,366</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding	\$ 700	\$ 2,800
Other Postemployment Benefits	662,976	613,904
Pensions	1,792,191	2,041,284
Total Deferred Outflows of Resources	<u>\$ 2,455,867</u>	<u>\$ 2,657,988</u>
Liabilities		
Current Liabilities	\$ 6,525,773	\$ 1,176,205
Long-Term Liabilities	28,778,280	28,695,432
Total Liabilities	<u>\$ 35,304,053</u>	<u>\$ 29,871,637</u>
Deferred Inflows of Resources		
Pensions	\$ 463,116	\$ 676,292
Other Postemployment Benefits	2,950,608	2,588,415
Total Deferred Inflows of Resources	<u>\$ 3,413,724</u>	<u>\$ 3,264,707</u>
Net Position		
Net Investment in Capital Assets	\$ 4,151,510	\$ 6,680,589
Restricted	859,771	1,605,283
Unrestricted (Deficit)	(22,986,663)	(26,602,862)
Total Net Position	<u>\$ (17,975,382)</u>	<u>\$ (18,316,990)</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The largest portion of the School District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The School District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In general, current assets are those assets that are available to satisfy current obligations, current liabilities, and those liabilities that will be paid within one year. Current assets consist primarily of cash and cash equivalents of \$6,464,309, and state, federal and BOCES aid receivable of \$326,834.

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is \$1,792,191 related to the District's participation in the NYS TRS and ERS pension systems, \$662,976 related to the District's OPEB Plan, and \$700 for a deferred charge on bond refunding.

Current liabilities consist principally of accounts payable, accrued expenses, bond anticipation notes payable and unearned revenues totaling \$6,137,566, and the current portion of long-term debt totaling \$388,207.

In addition to liabilities, the *Statement of Net Position* or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$463,116 related to the District's participation in the NYS TRS and ERS pension systems, and \$2,950,608 related to the District's OPEB Plan.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings, and unrestricted state and federal aid must support the net cost of the School District's programs.

The following schedule summarizes the School District's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

**Condensed Statement of Activities
Comparison 2018-2019 and 2017-2018**

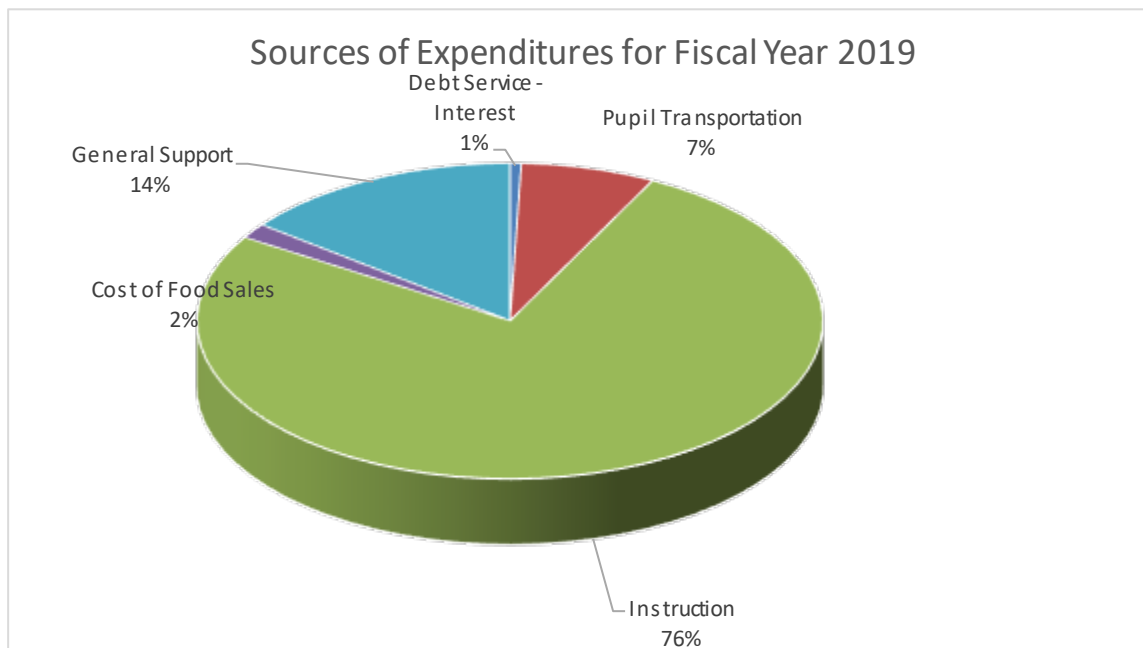
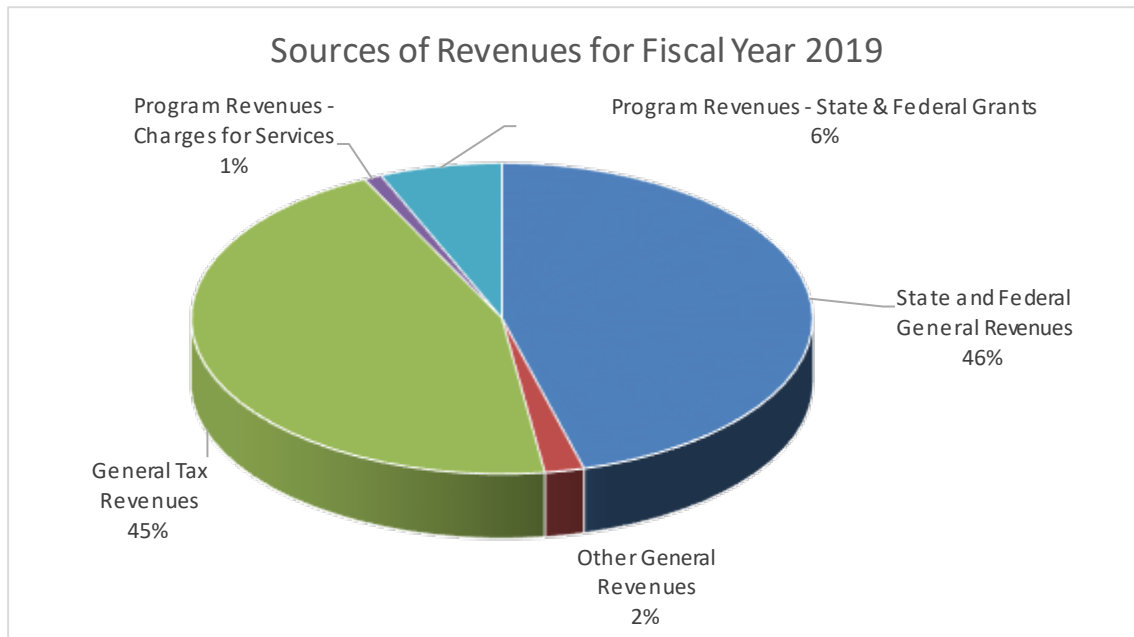
	2018-2019	2017-2018
Revenues		
Program Revenues		
Charges for Services	\$ 86,491	\$ 88,776
Operating Grants	591,717	535,540
General Revenues		
Property and Other Tax Items	4,166,534	4,084,233
Use of Money and Property	47,268	12,743
Sale of Property and Compensation for Loss	8,818	21,683
Loss on Disposition of Property	-	(976)
State Sources	4,107,789	4,030,959
Medicaid Reimbursement	33,595	22,021
Federal Sources	104,405	93,769
Miscellaneous	133,581	152,966
Total Revenues	<u>\$ 9,280,198</u>	<u>\$ 9,041,714</u>
Expenses		
General Support	1,303,121	1,581,391
Instruction	6,824,125	7,090,018
Pupil Transportation	621,645	673,052
Debt Service - Interest	51,600	73,339
School Food Service Program	138,099	161,135
Total Expenses	<u>8,938,590</u>	<u>9,578,935</u>
Change in Net Position	<u>\$ 341,608</u>	<u>\$ (537,221)</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued



SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The School District is heavily dependent on both state and federal aid for its funding. State and Federal Grants and State and Federal General Revenues combined account for 52% of total revenues. General Tax Revenues account for 45% of revenues received for the year. These two sources account for 97% of the total revenues received in the 2018-2019 school year.

Instruction, transportation, and general support account for 97% of the total expenses of the School District, which is comparative to prior year percentages.

The financial statements also include the Special Aid Fund and School Food Service Fund, which are primarily funded by state and federal aid and food sales.

General Fund Budgetary Highlights

The School District's budget of \$8,799,188 for 2018-2019 was approved by referendum on May 15, 2018 (132 residents voted). The School District's total budget increase for 2018-2019 was \$146,118 or a 1.69% increase from the prior year budget. The District had no carryover encumbrances from 2017-2018.

Actual expenditures for 2018-2019, including transfers of \$8,087 to other funds, totaled \$8,114,201, for a favorable variance of \$684,987 (under budgeted amounts). The following graph shows how the actual expenditures are distributed for each budget over the past two budget years:

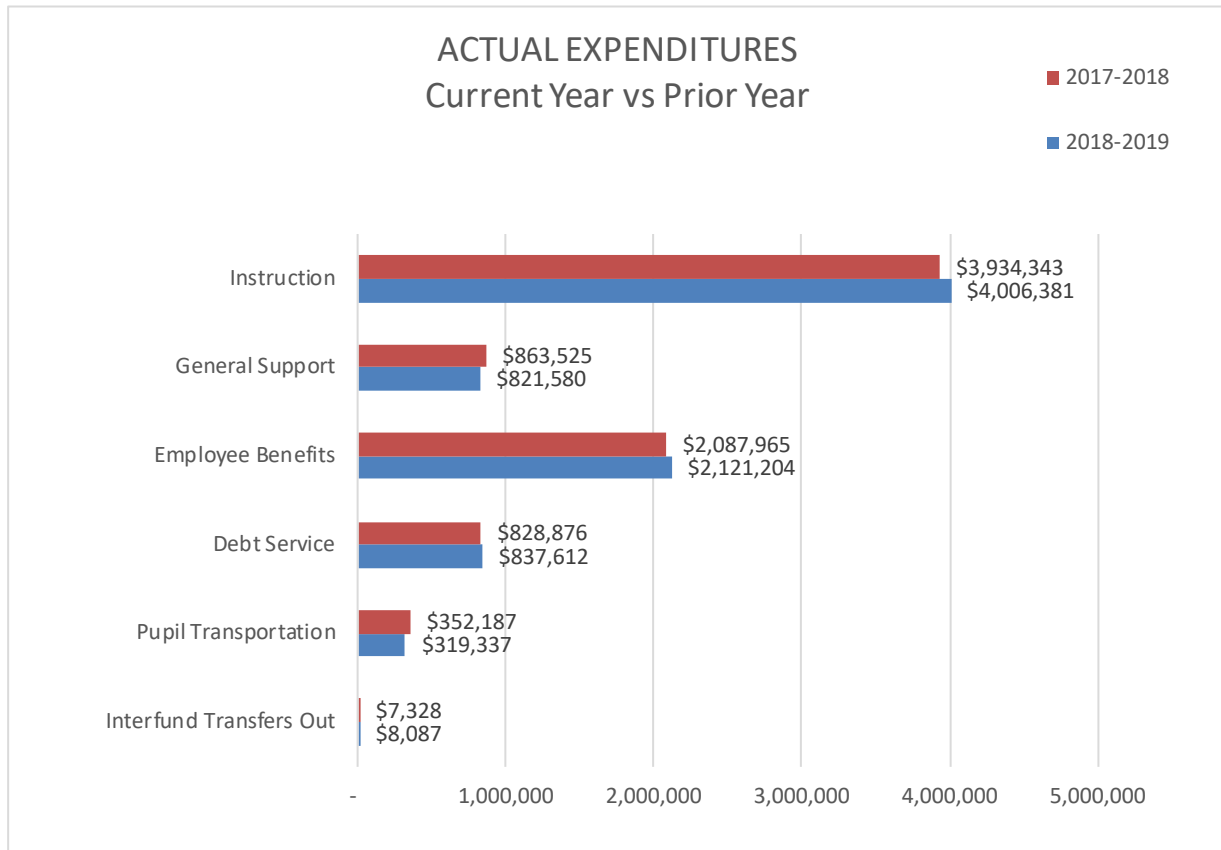
SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights – Continued



Fiscal year 2018-2019 expenditures were \$39,977 or 0.50% more than the prior year expenditures. The District continued to respond in 2018-2019 to the country's slow economic recovery and state aid cuts by maintaining fiscal restraints in all areas that do not compromise the quality of education. Expenditures for Instruction increased \$72,038 in fiscal year 2018-2019 over the prior year. The District continues its efforts to continue to meet and exceed state standards, inclusive of Next Generation Learning Standards, in all areas. The small increase of \$8,736 in Debt Service expenditures was due to more principal paid in 2018-2019. General Support expenditures decreased by \$41,945. The District continues to be fiscally prudent. Employee benefit expenditures increased by \$33,239 in fiscal year 2018-2019 due to an increase in teacher's retirement and non-teacher's retirement payments and health insurance. A return to steadily rising diesel fuel, electricity, and natural gas costs have begun to impact the budget after years of record low prices. The District utilizes cooperative purchasing bidding to manage the price of these expenses.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

General Fund Budgetary Highlights - Continued

The School District appropriated \$385,000 of the fund balance to reduce taxes for the year ending June 30, 2019. Unspent appropriations provide cash flow at year-end when state aid is uncertain. Without this balance, the School District would have to borrow funds at year-end to meet its obligations. The District had \$0 appropriated for 2017-2018 carryover encumbrances.

On May 15, 2018, the voters authorized the establishment of a Capital Reserve Fund, which by Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The reserve was authorized for up to 10 years and in an amount not to exceed \$2,500,000 with funding from budget appropriations or fund balances. The Board of Education approved funding the reserve \$400,000 at the June 18, 2019 regular meeting, bringing the reserve total to \$800,000, plus interest.

Revenues

Revenues from Local, State and Federal Sources amounted to \$156,921, over final budget figures. The School District received Federal sources including \$27,367 in REAP Grant Aid, \$47,038 in Impact Aid (\$77,038 total less \$30,000 budgeted), and \$33,595 in Medicaid payments for a total of \$108,000 that were not projected in the 2018-2019 budget. In addition, miscellaneous local sources exceeded budgeted expectations by approximately \$62,072. State sources received, including State aid and BOCES aid, were under budget by \$23,525.

As the District plans for future revenues, all districts in NYS were subject to the property tax cap legislation for the first time while developing the 2012-2013 budget. This limits the amount of revenue that can be raised via property taxes without a super majority, and while the impact varies by district, it will be a factor for all districts going forward.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

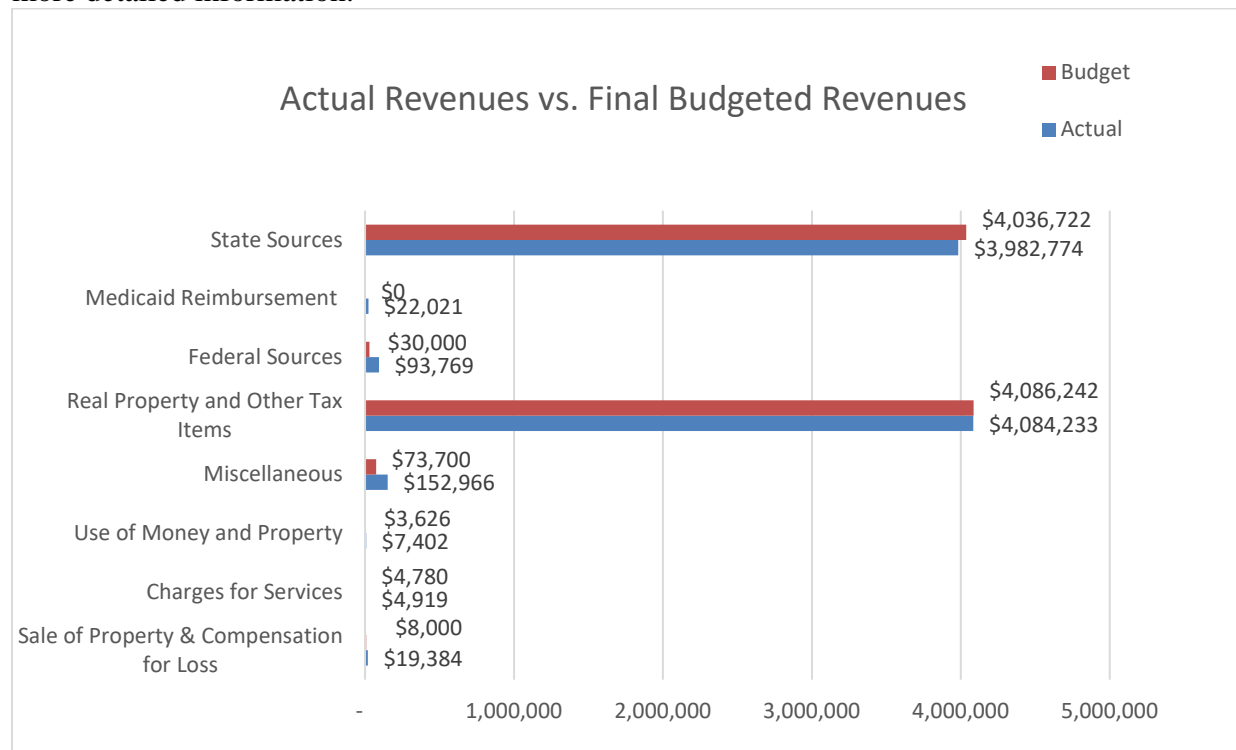
Expenditures

As the following graph portrays, expenditures were in line with the 2018-2019 final budget. The total unspent appropriation budget was \$684,987 and there were no year-end encumbrances at June 30, 2019.

The under-spent budgeted appropriations of \$684,987 netted with positive revenue variances of \$156,921 are used to fund the Assigned Fund Balance for the subsequent year. The 2019-2020 Assigned Fund Balance is \$550,000. The Assigned Fund Balance is 6.02% of the 2019-2020 school budget.

The Assigned Fund Balance needs to be maintained to help the School District with cash flow at the end of the school year. In order to decrease assigned fund balance, without raising the tax levy in the subsequent year, other revenue sources (State Aid) would need to increase.

The following graphs compare actual revenues with final budgeted revenues, and actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.



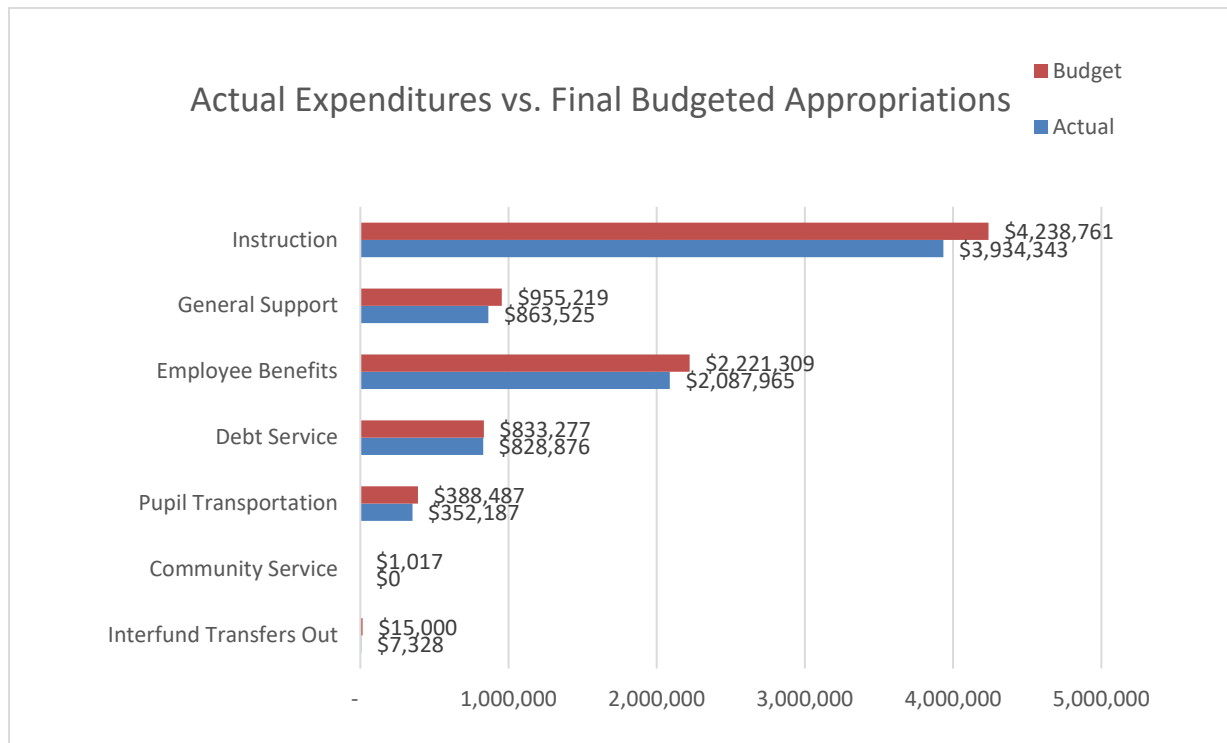
SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenditures – Continued



ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

General Fund

General Funds are used to operate the school's daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Actual property taxes paid (less STAR Reimbursement) amount to 45% of total General Fund revenues for 2018-2019. The budget is very restricted, with 92% of the budget being spent to maintain current operations. The continued increase in uncontrollable expenses, like health and retirement benefits, are eroding funds that could be used to enhance education.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Other Governmental FundsSpecial Aid Fund

The School District receives State and Federal grants, which fund specific academic activities. These grants are written for specific purposes and include reading improvement, staff development, technology improvements, and needs related to students with disabilities.

It is important to note that most of these grants have a fiscal year that runs from September 1 to August 31, which differs from the school fiscal year of July 1 to June 30. Therefore, there are funds being spent during the summer months, which may result in carry over amounts as of the June 30, 2019 school year. The District had an increase in grant aid in Title I funding. Any decreases in aid in the annual Title and/or IDEA grants, result in General Fund absorbing some of the expenditures. In 2013-2014 the District was awarded a five year Rural Initiative for STEM Excellence grant with five other districts for the period 2013-2014 thru 2017-2018. In 2017-2018, the District was awarded a five year Department of Defense Education Activity (DoDEA) Math Improvement Grant, Grades 6-8 for the period 2017-2018 thru 2021-2022.

The listing below shows the grant amounts recorded in the Special Aid Fund:

	2018-2019	2017-2018
Title I ESEA - Basic Grant	181,955	\$ 170,956
Title II Part A	29,262	21,981
Title III	730	1,040
Title IV	12,690	-
IDEA Part B Section 611	117,842	116,003
IDEA Part B Section 619	3,560	3,440
Rural Initiative for STEM Excellence	-	42,146
DoDEA Math Grant	47,499	25,828
Extended Pre-Kindergarten	55,545	-
Summer School - Section 4408	25,442	24,668
	<u>\$ 474,525</u>	<u>\$ 406,062</u>

Debt Service Fund

This fund is used to accumulate interest on capital fund proceeds earned during building projects. These funds have to be used to reduce the debt in the general fund in subsequent years. These funds will be transferred into the general fund in the future when needed. The total fund balance in the Debt Service Fund at June 30, 2019 is \$41,223.

On October 31, 2012, the District issued \$2,320,000 in serial bonds to advance refund the 2002 Serial Bonds. The District obtained lower interest rates resulting in savings of \$359,262 over the remaining seven years of the bonds.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Other Governmental Funds - Continued

School Food Service Fund

The School Food Service Program is generally funded through State and Federal Aid along with the sale of lunch and breakfast items. The School Food Service Program reflects a \$29,865 profit, primarily a result of staff reassignments after a 2016 retirement that reduced overhead cost as well as the District entering into an agreement with St. Lawrence-Lewis BOCES on February 1, 2019 for shared School Food Management services. The change in fund balance for the year ended June 30, 2019 was \$29,865, which increased the fund balance to \$57,504. School food service management is continually changing especially with the implementation of the Healthy Hunger-Free Kids Act of 2010. Managing food selection requirements in conjunction with the Healthy Hunger-Free Kids Act and increases in food costs, including delivery charges, are a primary factor in containing program increases. The Board of Education approved a \$.25 price increase (K-6) for 2015-2016 as part of the compliance with the mandated USDA lunch price equity legislation and to offset the increased costs of operation. There were no lunch price changes for 2018-2019. The program continues utilizing the recommendations of the consultant and is maintaining their increased breakfast and lunch participation levels. We continue to strive to increase/maintain our free and reduced lunch participation, as the State reimbursement rates are higher than full price charges, which generate additional revenues assisting the School Food Service Program in maintaining a self-sustaining program. The food service manager is very aware of the financial aspects of the program and how to reduce costs. The Point of Service (LunchBytes) program has enhanced the overall school lunch and breakfast programs with strong participation levels for the prepaid. The Board of Education will continue to monitor the School Food Service program with the implementation, costs, and participation levels associated with the Healthy Hunger-Free Kids Act of 2010.

Capital Projects Fund

The Capital Projects Fund accounts for Capital construction projects and other capital purchases. On May 16, 2017 (228 residents voted), a \$7,942,406 Capital project was approved by referendum including approval to utilize \$1,700,000 from the Capital Reserve Fund to reduce the impact to taxpayers. The \$1,700,000 was transferred from the Capital Reserve in the General Fund to the Capital Fund on May 31, 2017. Phase I construction began at the end of June 2018 with work, primarily roofing and windows, completed Fall 2018. Phase II construction began at the end of June 2019.

The School District used the Capital Fund during the year to record the purchase of a school bus totaling \$117,406 purchased with the proceeds from a Statutory Installment Bond.

Sackets Harbor Central was awarded \$318,862 under the NYS Smart Schools Bond Act. The District was approved and utilized \$109,275 in its second year of Smart Schools funding.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Land is valued at acquisition cost and the School District only owns property with structures on or adjacent to it.

Building and improvements have various dates of construction from the 1967 elementary wing project to the renovations, new high school wing and new gym completed in 1999, and the latest upgrade completed in 2009.

Furniture and equipment are recorded for the entire School District and includes vehicles and school buses.

The Board of Education established a fixed asset policy on June 15, 2004 to capitalize fixed assets of at least \$1,000 and building improvements of at least \$20,000.

Asset Control Solutions, Inc. conducted a physical inventory in February 2013. All assets are tagged and recorded with updates for any purchases or deletions thru June 2019.

Capital Assets, net of accumulated depreciation. totaled \$11,184,017 at June 30, 2019.

	Balance June 30, 2018	2019 Additions	2019 Retirements / Reclassifications	Balance June 30, 2019
Land	\$ 15,690	\$ -	\$ -	\$ 15,690
Construction in Progress	517,977	2,373,571	-	2,891,548
Building & Improvements	14,002,965	6,518	-	14,009,483
Furniture & Equipment	2,357,096	142,033	(122,951)	2,376,178
Less:				
Accumulated Depreciation	7,753,465	478,368	(122,951)	8,108,882
Capital Assets, Net	\$ 9,140,263	\$ 2,043,754	\$ -	\$ 11,184,017

For more information refer to Note 6 in the notes to financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Short-Term Debt

The District issued a bond anticipation note on June 20, 2019 for \$5,250,000 maturing June 19, 2020. The BAN carries an interest rate of 2.25%

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 1999 to 2009. The earliest bond issued, 1999, was complete on June 1, 2019. The last date that bonds will be paid is June 15, 2024.

A bond dated November 26, 2002 was the School District Refunding (Serial) Bonds, 2002. The School District refunded the 1992 and 1999 bonds due to a change implemented by the New York State Legislature. The change resulted in building aid reimbursements from the State linked to the useful life of the project rather than the timetable of the debt financing. The Board of Education adopted a refunding bond resolution on April 17, 2012 for the remaining 2002 Serial Bond to benefit from lower interest rates now prevailing in the municipal bond market. On October 31, 2012, the District issued \$2,320,000 in Serial Bonds to advance refund the 2002 Serial Bonds. The lower interest rates obtained by the District resulted in savings of \$359,262 over the remaining seven years of the bond. A statutory installment bond was issued August 15, 2018 for the purchase of one school bus in the amount of \$117,406.

The District has complied with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Regulations require the reporting of other post-employment benefits which was completed by securing the BPAS Actuarial and Pension Services, LLC. The District obtained an actuarial valuation report as of June 30, 2019. The OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2019 and 2018:

	2018-2019	2017-2018 (Restated)
Due and Payable in One Year	\$ 388,207	\$ 796,670
Due and Payable After One Year	<u>28,778,280</u>	<u>28,695,432</u>
Total Long-Term Debt	<u><u>\$ 29,166,487</u></u>	<u><u>\$ 29,492,102</u></u>

For more information refer to Note 8 in the notes to financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

The District has implemented in previous years the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District complies with the requirements of this statement by reporting an asset and/or liability for its proportionate of the collective net pensions asset (liability) in the New York State Teachers' and Employees' Retirement Systems. The Statement also requires the District to report a deferred outflow and/or deferred inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. For more information see Note 9.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

With the following observations, the School District can only project what future financial changes will be by how the history of budget and school operations have been in the School District.

Located within the lovely historic Village of Sackets Harbor, this small K-12 school is the "Home of the Patriots". Sackets Harbor served as a military encampment during the War of 1812. Today, renovated buildings, apartments, and condominiums are a part of the Madison Barracks located on the shores of Lake Ontario. A summer resort community, the village contains what are arguably the best restaurants in Northern New York, as well as numerous small specialty shops and antique dealers. Many of the homes in the village appear on the National Historic Register. Navy Point Marina operates on the former site of the largest shipbuilding facility on the Great Lakes during the early 1800's. Just outside the village are a 9-hole golf course and a state park recreational facility. With the ongoing growth in the county, there has been an increased demand for housing in the district, which should also lead to an increase in our student population.

The Sackets Harbor Central School District (SHCSD) continues to pride itself on the quality education provided to the students of the District. Faculty and staff work diligently to graduate students who are college and career ready. We accomplish this goal by ensuring the delivery of written, taught, and tested curriculum, by employing student-centered practices to meet the needs of each student, and we consistently rely on data to inform our practices. Additionally, we continue to support learning initiatives made possible by grant funding including the DODEA Patriot's Pride Math Program, Seeds for Success, and the Pre-Kindergarten Program which I will detail further below. In the 2019-2020 school year, we will also continue to work on developing a thorough understanding of Every Student Succeeds Act (ESSA) and will soon need to develop protocols and policies to adhere to the new law entitled "Education Law 2D".

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

The Sackets Harbor Central School District works hard to provide a safe, secure, and supportive environment for students, staff, and school community. To accomplish this goal, we have developed systems, programs, and protocols that will be used to build, maintain, and sustain a positive culture and climate. For instance, during this 2019-2020 school year, we will be implementing the Positivity Project which is a high quality character education program. We will also offer faculty, staff, and students training on relevant topics related to cultural competency, Dignity for All Students Act (DASA), and emergency preparedness. Our District has also implemented facility safety improvements, as part of the Capital Improvement Project of 2016, which will improve safety throughout. For instance, we plan to add security cameras to our infrastructure, initiate a new lockdown protocol, and update our door entrance system. For the last two years, our District has benefited from Title IV funding, which has allowed us to contract with the community-based organization called, PIVOT, to host a counselor onsite two days per week. The goal of the programming is to help youth develop healthy coping skills, make positive lifestyle choices, and avoid alcohol/substance abuse problems. Our District also offers educational sessions to parents/guardians on topics pertinent to raising children (Internet Safety, bullying, drug-use, vaping, etc.) We do this with the intention of collaborating with families to support our students' health, safety, and well-being.

As part of our security measures, the Sackets Harbor Central School District will be putting into place a number of policies and practices to address the recent recommendations made by the New York State Comptroller in a recent audit of our instructional technology program. We are confident that the forthcoming changes will improve the security of our systems and the safety of our users.

The District strategically uses available resources to best serve the instructional needs of students, identifies and implements operating efficiencies, and we maintain a fiscal long-term plan to ensure the District's financial stability. To meet this goal, the District has remained committed to working collaboratively with the Village of Sackets Harbor, the Town of Hounsfield, Jefferson-Lewis BOCES, as well as with other local school districts to share services in order to realize cost containment and savings. One example of the District's efforts is that a tax collector continues to be shared between the School District and the Village of Sackets Harbor.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

The District also takes advantage of grants to enhance teaching and learning. Participation with the Jefferson-Lewis BOCES Grant Writing service has yielded the SHCSD funding for a variety of initiatives which have benefitted students and teachers. The District is on Year 3 of a Department of Defense Educational Activity Grant Project called, Patriot's Pride. The District received \$250,000 to be used over a total of five years to improve student achievement results in middle school mathematics. Additionally, our School District was awarded funding to begin Universal Pre-Kindergarten. This program was started in January of 2019, and we just welcomed our second group of Pre-K students for the 2019-2020 school year. Taking advantage of grant opportunities is a fantastic example of how the SHCSD strives to creatively meet the needs of students.

The Village of Sackets Harbor and surrounding areas continue to draw summer residents and tourists alike. The quaint locally-owned shops, high quality restaurants, local brewery, along with a multitude of events ensure that the community is bustling during the summer months and, although quieter, is still alive during the off-season. Community events include the Annual Memorial Day Parade, the Canadian-American Festival, the 1812 Half-Marathon and Run, the Porch Music Festival, the Harvest Festival, WhooVille in the Harbor, the 1812 Lacrosse Shootout, the Walk to End Alzheimer's, a variety of concerts on the water, and many other community-wide opportunities.

The success of the school, coupled with the picturesque beauty and the year-round excitement of the Harbor and Village, makes the SHCSD a desirable place to live and attend school. Despite declining population trends in New York State, the housing market in and around the Village of Sackets Harbor appears to have remained stable. The school's tax rate is \$11.39/\$1,000 in Adams and Henderson and \$12.52/\$1,000 in the Town of Hounsfield. The Village of Sackets Harbor, Town of Hounsfield, the Sackets Harbor Chamber of Commerce, and other interested organizations and parties continually collaborate to discuss how to grow and develop while keeping taxes manageable.

For now, the Galloo Island Wind Project has been put on hold by the developer and PILOT discussions have ended. The District has since been approached by other developers, particularly with solar in mind, with potential plans to construct. The District, though opted out of RPT 487, may consider PILOT agreements if deemed to be in the best interest of our School District and community.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

There are a number of factors that continue to present real or potential challenges and opportunities for the economic climate of the School District. As has been the case for the last eight years, local revenues have been contained by the Tax Cap while, at the same time, school aid has remained relatively stagnant. Further, the slow but steady decline in enrollment could result in lower revenues. As a result of the continuation of a challenging economic environment, the District has remained committed to working collaboratively with our neighbors and thinking outside of the box to contain costs and realize savings. Another example of shared services is that the District continues to be a member of the Tri-County Energy Consortium, which is now fully operational and is in the process of expanding. This initiative is an effort to bring savings to its members, enhance New York State's clean energy portfolio, and create a system of shared inter-municipal projects with direct positive results for the people of the North Country.

In the spring of 2017, the voters of Sackets Harbor Central School District approved a \$7,942,406 Capital Project to improve school facilities. The Capital Project vote was a success (166-yes, 57-no) largely because the financial impact on our taxpayers was mitigated by the May 2013 establishment and subsequent funding of a Capital Reserve that will off-set the project. Phase I of the Capital Project started during the summer of 2018 and the larger, more substantial, Phase II is still underway. We anticipate the implementation of a final Phase in the summer of 2020 and the scope of that work is contingent upon any remaining funds we have at the conclusion of Phase II. We are hopeful that the installation of new windows in a portion of our school building, along with new doors, and new/repared roofing, updated LED lighting, and a new and improved heating plant will significantly reduce expenses.

The District recognizes the importance of the Capital Reserve Fund as a crucial component of long-term financial planning; thus, with voter-authorization have established and funded a new capital reserve in May 2018 which now stands at \$800,000.

The District's mission is to empower students to embrace life's challenges with knowledge, character, and a commitment to learning as they become contributing citizens in the American democratic way of life. Moving forward, the SHCSD will adhere to this mission by continuing to provide stellar educational opportunities for students with the least financial impact to the local taxpayer. The District will continue to implement a sound system for analyzing qualitative and quantitative data to accomplish goals and will continue to leverage partnerships with community organizations to realize benefits to taxpayers and students. Grant opportunities will continue to be sought out in order to improve programs and services delivered to students.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Clerk at the following address: Sackets Harbor Central School, P.O. Box 290, Sackets Harbor, N.Y., 13685.

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SACKETS HARBOR CENTRAL SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2019

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 1,027,561
Restricted	5,436,748
Receivables	
State and Federal Aid	220,305
Due From Other Governments	106,529
Inventories	4,692
Net Pension Asset - Proportionate Share	306,676
Capital Assets, Net	11,184,017
TOTAL ASSETS	\$ 18,286,528
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Bond Refunding	\$ 700
Other Postemployment Benefits	662,976
Pensions	1,792,191
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,455,867
LIABILITIES	
Payables	
Accounts Payable	\$ 518,525
Accrued Liabilities	3,177
Due to Other Governments	195
Accrued Interest on Bonds Payable	7,867
Due to Teachers' Retirement System	314,896
Due to Employees' Retirement System	38,906
Notes Payable	
Bond Anticipation	5,250,000
Unearned Credits	
Unearned Revenues - Other	4,000
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	388,207
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	1,395,000
Compensated Absences Payable	44,599
Other Postemployment Benefits Payable	27,112,367
Net Pension Liability - Proportionate Share	226,314
TOTAL LIABILITIES	\$ 35,304,053
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 2,950,608
Pensions	463,116
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,413,724
NET POSITION	
Net Investment in Capital Assets	\$ 4,151,510
Restricted for:	
Capital	800,602
Other Legal Restrictions	59,169
Unrestricted (Deficit)	(22,986,663)
TOTAL NET POSITION	\$ (17,975,382)

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2019

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General Support	\$ 1,303,121	\$ 5,001	\$ -	\$ (1,298,120)
Instruction	6,824,125	-	474,525	(6,349,600)
Pupil Transportation	621,645	-	-	(621,645)
Debt Service - Interest	51,600	-	-	(51,600)
School Food Service Program	138,099	81,490	117,192	60,583
Total Functions and Programs	<u>\$ 8,938,590</u>	<u>\$ 86,491</u>	<u>\$ 591,717</u>	<u>(8,260,382)</u>
GENERAL REVENUES				
Real Property Taxes				3,823,053
Other Tax Items				343,481
Use of Money and Property				47,268
Sale of Property and Compensation for Loss				8,818
State Sources				4,107,789
Medicaid Reimbursement				33,595
Federal Sources				104,405
Miscellaneous				133,581
Total General Revenues				<u>8,601,990</u>
Change in Net Position				341,608
Net Position - Beginning of Year, As Restated				<u>(18,316,990)</u>
Net Position - End of Year				<u>\$ (17,975,382)</u>

See notes to audited basic financial statements.

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	<u>General</u>	<u>Capital Project</u>
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 973,875	\$ -
Restricted	818,548	4,618,200
Receivables		
Due From Other Funds	161,122	-
State and Federal Aid	64,594	-
Due From Other Governments	105,799	-
Inventories	-	-
TOTAL ASSETS	<u><u>\$ 2,123,938</u></u>	<u><u>\$ 4,618,200</u></u>
LIABILITIES		
Payables		
Accounts Payable	\$ -	\$ 518,525
Accrued Liabilities	-	-
Due to Other Funds	7,179	41,223
Due to Other Governments	-	-
Due to Teachers' Retirement System	314,896	-
Due to Employees' Retirement System	38,906	-
Notes Payable		
Bond Anticipation	-	5,250,000
Unearned Credits		
Unearned Revenues	4,000	-
Total Liabilities	<u>364,981</u>	<u>5,809,748</u>
FUND BALANCES (DEFICIT)		
Nonspendable	-	-
Restricted	818,548	-
Assigned	550,000	-
Unassigned (Deficit)	390,409	(1,191,548)
Total Fund Balances (Deficits)	<u>1,758,957</u>	<u>(1,191,548)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,123,938</u></u>	<u><u>\$ 4,618,200</u></u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 53,686	\$ 1,027,561
-	5,436,748
48,402	209,524
155,711	220,305
730	106,529
4,692	4,692
<u>\$ 263,221</u>	<u>\$ 7,005,359</u>
\$ -	\$ 518,525
3,177	3,177
161,122	209,524
195	195
-	314,896
-	38,906
-	
-	5,250,000
-	4,000
<u>164,494</u>	<u>6,339,223</u>
4,692	4,692
41,223	859,771
52,812	602,812
-	(801,139)
<u>98,727</u>	<u>666,136</u>
<u>\$ 263,221</u>	<u>\$ 7,005,359</u>

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2019

Total Fund Balance - Governmental Funds \$ 666,136

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Net Pension Asset - Proportionate Share - TRS	306,676	
Net Pension Liability - Proportionate Share - ERS	(226,314)	

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ (2,950,608)	
Pensions	<u>(463,116)</u>	(3,413,724)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 662,976	
Pensions	1,792,191	
Deferred Charge on Bond Refunding	<u>700</u>	2,455,867

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 19,292,899	
Accumulated Depreciation is	<u>8,108,882</u>	11,184,017

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 1,767,406	
Accrued Interest on Bonds and BAN	7,867	
Compensated Absences Payable	44,599	
Other Postemployment Benefits Payable	27,112,367	
Premium on Bond Issue	<u>15,801</u>	(28,948,040)

Total Net Position - Governmental Activities \$ (17,975,382)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	<u>General</u>	<u>Capital Project</u>
REVENUES		
Real Property Taxes	\$ 3,823,053	\$ -
Other Tax Items	343,481	-
Charges for Services	5,001	-
Use of Money and Property	11,386	-
Sale of Property and Compensation for Loss	8,818	-
State Sources	4,107,789	-
Medicaid Reimbursement	33,595	-
Federal Sources	104,405	-
Surplus Food	-	-
Sales - School Food Service	-	-
Miscellaneous	133,581	-
Total Revenues	<u>8,571,109</u>	<u>-</u>
EXPENDITURES		
General Support	821,580	-
Instruction	4,006,381	-
Pupil Transportation	319,337	-
Employee Benefits	2,121,204	-
Debt Service		
Principal	741,927	-
Interest	95,685	-
Food Service Program		
General Support	-	-
Cost of Sales	-	-
Capital Outlay	-	2,373,571
Total Expenditures	<u>8,106,114</u>	<u>2,373,571</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>464,995</u>	<u>(2,373,571)</u>
OTHER FINANCING SOURCES AND (USES)		
Premium on Debt Issuance	-	-
Proceeds from Debt	-	-
Operating Transfers In	-	-
Operating Transfers (Out)	(8,087)	-
Total Other Financing Sources (Uses)	<u>(8,087)</u>	<u>-</u>
Net Change in Fund Balances	456,908	(2,373,571)
Fund Balances - Beginning of Year	1,302,049	1,182,023
Fund Balances (Deficits) - End of Year	<u>\$ 1,758,957</u>	<u>\$ (1,191,548)</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Total Non- Major Funds	Total Governmental Funds
\$ -	\$ 3,823,053
-	343,481
-	5,001
-	11,386
-	8,818
84,587	4,192,376
-	33,595
492,151	596,556
14,979	14,979
81,490	81,490
-	133,581
673,207	9,244,316
-	821,580
460,059	4,466,440
4,382	323,719
34,110	2,155,314
-	741,927
-	95,685
87,224	87,224
65,654	65,654
117,406	2,490,977
768,835	11,248,520
29,865	(2,004,204)
35,882	35,882
117,406	117,406
8,087	8,087
-	(8,087)
161,375	153,288
65,747	(1,850,916)
32,980	2,517,052
\$ 98,727	\$ 666,136

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (1,850,916)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than \$1,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	\$ 2,522,122	
Depreciation Expense	<u>(478,368)</u>	2,043,754

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.

749,275

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds and amortization of premium on bond issue and defeasance loss.

44,088

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) --are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(17,826)

Some of the capital assets acquired were financed with long-term debt. The amount financed by the long-term debt is reported in the governmental funds as a source of financing. On the other hand, long-term debt is not revenue in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

(117,406)

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES – CONTINUED**

Year Ended June 30, 2019

On the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits.

(519,550)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$	46,557	
Employees' Retirement System		<u>(36,368)</u>	<u>10,189</u>
Change in Net Position of Governmental Activities			<u><u>\$ 341,608</u></u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Agency
ASSETS	
Cash	
Unrestricted	\$ 65,716
Total Assets	\$ 65,716
LIABILITIES	
Extra Classroom Activity Balances	\$ 55,142
Other Liabilities	10,574
Total Liabilities	\$ 65,716

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Extra Classroom Activity Funds

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component school districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$1,336,126 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$320,403. This represents state aid distributions of \$235,108 and 2018 fund balance returned to schools of \$85,295.

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

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state and federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital – specific grants.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

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

Fund Statements

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

The District reports the following governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

Debt Service Fund: This fund accounts for the accumulation of resources and the payments of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. The District only uses one class of fiduciary funds:

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or Extra Classroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

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

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

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2018, and became a lien on August 7, 2018. Taxes are collected during the period September 1, 2018 through October 31, 2018.

Uncollected real property taxes are subsequently enforced by the County of Jefferson, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

Restricted Resources

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

Interfund Transactions

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

In the district-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 the fiduciary funds.

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Accounts Receivable

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

Inventories

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

A portion of the fund balance in the amount of these non-liquid assets (inventories) has been identified as not available for other subsequent expenditures.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Assets

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

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 20,000	SL	20-50 Years
Furniture and Equipment	1,000	SL	5-25 Years

The District does not possess any infrastructure.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the *Statement of Net Position* or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits**Compensated Absences**

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

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Other Benefits

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

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

In addition to providing pension benefits, the District provides Postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other Postemployment benefits payable, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

District-Wide Statements

In the District-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$4,692.

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued**Unemployment Insurance**

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Restricted fund balance includes the following at June 30, 2019:

General Fund	
Capital	\$ 800,602
Unemployment Insurance	17,946
Debt Service Fund	<u>41,223</u>
 Total Restricted Funds	 \$ <u>859,771</u>

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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

Unassigned Fund Balance

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

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

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new statements issued by GASB:

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards – Continued

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 90, *Majority Equity Interests- an amendment of GASB Statements No.14 and No. 61*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

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

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS**

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS – Continued**

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

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

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

1. Long-Term Revenue Differences:

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

2. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS – Continued**

**Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities
- Continued**

4. Pension Differences:

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

5. OPEB Differences:

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY - Continued**

Budgets - Continued

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

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

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

Encumbrances

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

Other

The Capital Project Fund shows an unassigned fund balance deficit of \$1,191,548. This will be funded when the District obtains permanent financing for its current construction project.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 6,117,285

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$5,436,748 within the governmental funds.

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

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

NOTE 5 - RECEIVABLES

Receivables at year-end are as follows

Description	Governmental Activities		Total
	General	Non-Major	
State and Federal Aid	\$ 64,594	\$ 155,711	\$ 220,305
Due from Other Governments	105,799	730	106,529
Total	\$ 170,393	\$ 156,441	\$ 326,834

District management has deemed the amounts to be fully collectible.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 15,690	\$ -	\$ -	\$ 15,690
Construction In Progress	517,977	2,373,571	-	2,891,548
Total Nondepreciable Assets	15,690	2,373,571	-	2,907,238
Capital Assets That Are Depreciated:				
Buildings and Improvements	14,002,965	6,518	-	14,009,483
Furniture and Equipment	2,357,096	142,033	(122,951)	2,376,178
	16,360,061	148,551	(122,951)	16,385,661
Less - Accumulated Depreciation:				
Buildings and Improvements	6,237,716	267,947	-	6,505,663
Furniture and Equipment	1,515,749	210,421	(122,951)	1,603,219
Total Accumulated Depreciation	7,753,465	478,368	(122,951)	8,108,882
Total Depreciated Assets, Net	8,606,596	(329,817)	-	8,276,779
Capital Assets, Net	\$ 8,622,286	\$ 2,043,754	\$ -	\$ 11,184,017

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 63,607
Instruction	285,174
Pupil Transportation	129,587
	<u>\$ 478,368</u>

NOTE 7 - SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/19/2020	2.25%	<u>\$ -</u>	<u>\$ 5,250,000</u>	<u>\$ -</u>	<u>\$ 5,250,000</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - SHORT-TERM DEBT - Continued

Interest of short-term debt for the year was composed of:

Interest Paid	\$ -
Less: Interest Accrued in the Prior Year	-
Plus: Interest Accrued in the Current Year	<u>3,237</u>
Total Interest on Short-Term Debt	<u><u>\$ 3,237</u></u>

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	\$ 2,391,927	\$ 117,406	\$ 741,927	\$ 1,767,406	\$ 372,406
Premium on Bonds	63,196	-	47,395	15,801	15,801
Lease-Purchase Obligations	<u>7,348</u>	<u>-</u>	<u>7,348</u>	<u>-</u>	<u>-</u>
Total Bonds and Notes Payable	<u>2,462,471</u>	<u>117,406</u>	<u>796,670</u>	<u>1,783,207</u>	<u>388,207</u>
Other Liabilities:					
Compensated Absences Payable	26,773	17,826	-	44,599	-
Other Postemployment Benefits	26,905,938	206,429	-	27,112,367	-
Net Pension Liability - Proportionate Share	<u>96,920</u>	<u>129,394</u>	<u>-</u>	<u>226,314</u>	<u>-</u>
Total Other Liabilities	<u>27,029,631</u>	<u>353,649</u>	<u>-</u>	<u>27,383,280</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 29,492,102</u></u>	<u><u>\$ 471,055</u></u>	<u><u>\$ 796,670</u></u>	<u><u>\$ 29,166,487</u></u>	<u><u>\$ 388,207</u></u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bonds - 2009	6/15/09	6/15/24	3.0-4.375%	\$ 1,395,000
Bus Purchase	8/8/14	8/1/19	2.3-2.5%	25,000
Bus Purchase	8/13/15	8/1/20	2.0-2.375%	50,000
Bus Purchase	8/16/16	8/1/21	2.0-2.125%	75,000
Bus Purchase	8/10/17	8/1/22	1.35-2.85%	105,000
Bus Purchase	8/15/18	8/1/23	1.5-3.0%	117,406
Total Serial Bonds				<u><u>\$ 1,767,406</u></u>

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2020	\$ 372,406	\$ 68,236	\$ 440,642
2021	365,000	55,056	420,056
2022	355,000	41,496	396,496
2023	345,000	27,565	372,565
2024	<u>330,000</u>	<u>13,719</u>	<u>343,719</u>
Totals	<u><u>\$ 1,767,406</u></u>	<u><u>\$ 206,072</u></u>	<u><u>\$ 1,973,478</u></u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

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

Interest Paid	\$ 95,685
Less: Interest Accrued in the Prior Year	(6,657)
Plus: Interest Accrued in the Current Year	4,630
Plus: Amortization of Deferred Charge on Bond Refunding	2,100
Less: Amortization of Bond Premium	<u>(47,395)</u>
Total Interest on Long-Term Debt	<u><u>\$ 48,363</u></u>

NOTE 9- PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The 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.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Teachers' Retirement System (TRS) Plan Description

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

Employees' Retirement System (ERS) Plan Description

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided – ContinuedService Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2018 is 1.2%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

ERS Benefits ProvidedBenefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need 5 years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require 10 years of service credit to be 100 percent vested.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

ERS Benefits Provided – ContinuedDisability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for 5 years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for 5 years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2018 and received an overall discount of \$ 1,092).

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2018 - 2019	\$ 270,729	\$ 128,567
2017 - 2018	320,516	133,346
2016 - 2017	354,052	121,881

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

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

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

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (226,314)	\$ 306,676
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0031941%	0.016960%
Change in Proportion (%) Since the Prior Measurement Date	0.0001911%	-0.0002980%

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

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

For the year ended June 30, 2019, the District's recognized pension expense (credit) of \$(46,557) for TRS and \$36,368 for ERS. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 44,566	\$ 229,176	\$ 15,192	\$ 41,513
Changes of Assumptions	56,886	1,072,033	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	58,085	340,433
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	32,249	30,788	-	7,893
District's Contributions Subsequent to the Measurement Date	38,911	287,582	-	-
Total	<u>\$ 172,612</u>	<u>\$ 1,619,579</u>	<u>\$ 73,277</u>	<u>\$ 389,839</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2020, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2020	\$ 60,241	\$ 310,566
2021	(35,672)	211,875
2022	2,578	25,184
2023	33,277	211,153
2024	-	146,124
Thereafter	-	37,256

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Interest Rate	7.0%	7.25%
Salary Scale	4.2%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.25%

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

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Actuarial Assumptions – Continued

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

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Asset Type		
Domestic Equity	4.55%	5.80%
International Equity	6.35%	7.30%
Private Equity	7.50%	8.90%
Global Equity		6.70%
Real Estate	5.55%	4.90%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Alternative Investments		
Private Debt		6.80%
Real Estate Debt		2.80%
Domestic Fixes Income Securities		1.30%
Global Fixed Income Securities		0.90%
Short-Term		0.30%
High-Yield Fixed Income Securities		3.50%

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (989,481)	\$ (226,314)	\$ 414,800
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (2,106,912)	\$ 306,676	\$ 2,328,592

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS – Continued

Pension Plan Fiduciary Net Position

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

	(In Thousands)		
	ERS	TRS	Total
Measurement Date	March 31, 2019	June 30, 2018	
Employer's Total Pension Asset (Liability)	\$ (189,803,429)	\$ (118,107,254)	\$ (307,910,683)
Plan Net Position	<u>182,718,124</u>	<u>119,915,518</u>	<u>302,633,642</u>
Employer's Net Pension Asset (Liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	96.27%	101.53%	

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$38,906. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$314,896.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2019 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 161,122	\$ 7,179	\$ -	\$ 8,087
Special Aid	7,179	161,122	8,087	-
Debt Service	41,223	-		
Capital Projects	-	41,223	-	-
Total	<u>\$ 209,524</u>	<u>\$ 209,524</u>	<u>\$ 8,087</u>	<u>\$ 8,087</u>

The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advances funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the Debt Service Fund upon completion.

NOTE 11 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2019:

FUND BALANCES (DEFICIT)	General	Capital Project	Non-Major Funds	Total Governmental Funds
Nonspendable				
Supplies Inventory	\$ -	\$ -	\$ 4,692	\$ 4,692
Restricted				
Unemployment Insurance	17,946	-	-	17,946
Capital	800,602	-	-	800,602
Debt Service	-	-	41,223	41,223
Assigned				
Designated for Next Fiscal Year	550,000	-	-	550,000
School Food Service Fund	-	-	52,812	52,812
Unassigned (Deficit)				
General Fund	390,409	-	-	390,409
Capital Projects Fund	-	(1,191,548)	-	(1,191,548)
Total Governmental Fund Balances (Deficit)	<u>\$ 1,758,957</u>	<u>\$ (1,191,548)</u>	<u>\$ 98,727</u>	<u>\$ 666,136</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS**

General Information about the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	87
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>68</u>
	<u><u>155</u></u>

The District participates in the Jefferson-Lewis Et. Al. Employees’ Healthcare Insurance Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS – Continued**

General Information about the OPEB Plan - Continued

Eligible teachers and administrators are those who are at least age 55 with 10 years of service. Employees must also be eligible to retire under the ERS or TRS,

- Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 100% of the plan premium.
- Employees retired prior to 7/1/94 pay 0%; employees retired after 7/1/94 and hired prior to 7/1/06 pay 12%; employees hired after 7/1/06 pay 17%.
- Medicare Part B premiums are reimbursed 100% for Medicare-eligible retirees and dependents.
- Retiree healthcare benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
 - The Traditional Plan is a self-insured indemnity plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.
 - The Provider Choice POS Plan is a self-insured POS plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2019 which indicates that the total liability for other postemployment benefits is \$27,112,367 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS – Continued**

Total OPEB Liability – Continued**Actuarial Methods and Assumptions**

Measurement Date	6/30/2018
Rate of Compensation Increase	3.50%
Inflation Rate (CPI)	2.25%
Inflation Rate (Chained CPI)	2.00%
Discount Rate	3.62%

Assumed Pre-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Assumed Post-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Assumed Prescription Drug Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	10.25%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Assumed Medicare Part B Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	4.60%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	4.942 - 6.892
Method Used to Determine Actuarial Value of Assets	N/A

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS – Continued**

Total OPEB Liability – Continued

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index as of June 30, 2018.

Mortality rates were based on the headcount-weighted RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 Mortality Improvement scale on a fully generational basis.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017. Benefit obligations are projected to the measurement date using rollforward techniques by assuming no actuarial gains or losses in the interim, except for those assumption changes necessary to reflect the assumptions as of the measurement date.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 26,905,938
Changes for the Year	
Service Cost	891,972
Interest	978,678
Changes of Assumptions or Other Inputs	(1,050,317)
Benefit Payments	<u>(613,904)</u>
Net Changes	<u>206,429</u>
Balance at June 30, 2019	<u><u>\$ 27,112,367</u></u>

Changes of assumptions and other inputs reflect the following changes:

The rate used to discount future cash flows was updated from 3.56 percent as of June 30, 2017 to 3.62 percent as of June 30, 2018. The change in discount rate resulted in a decrease in liabilities.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS – Continued**

Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Total OPEB Liability	<u>\$ 32,402,617</u>	<u>\$ 27,112,367</u>	<u>\$ 23,473,855</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.886 percent) or 1 percentage point higher (trend decreasing to 4.886 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 2.886%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.886%)	1% Increase (Trend Plus 1% Decreasing to 4.886%)
Total OPEB Liability	<u>\$ 22,217,382</u>	<u>\$ 27,112,367</u>	<u>\$ 34,338,047</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS – Continued**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$519,550. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ -	\$ 2,950,608
Benefit Payments Subsequent to the Measurement Date	<u>662,976</u>	<u>-</u>
	<u>\$ 662,976</u>	<u>\$ 2,950,608</u>

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

Fiscal Year Ending June 30,

2020	\$ (688,124)
2021	(688,124)
2022	(675,229)
2023	(461,107)
2024	(353,704)
Thereafter	<u>(84,320)</u>
	<u>\$ (2,950,608)</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 - RISK MANAGEMENT

General

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

Pooled Non-Risk-Retained

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$-0-.

NOTE 14 - CONTINGENCIES AND COMMITMENTS

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 15 – RESTATEMENT OF NET POSITION

During the year ended June 30, 2019, the District's actuarial valuation for OPEB was amended due to the actuary's interpretation of the treatment of deferred (inflows) and outflows of resources occurring at the measurement date. During the year ended June 30, 2018, the actuary calculated a deferred (inflow)/outflow at the end of the year due to a change in assumptions/inputs. While the calculation of the Total OPEB Liability at the beginning of year and end of year, as well as the change in liability due to the assumptions/input change was correct, the treatment of when the deferred (inflow)/outflow is recognized in OPEB Expense needed to be revised to include a recognition during the fiscal year ended June 30, 2018. Accordingly, the current year report included a "doubling up" of the recognition of the prior year deferred inflow amortization due to changes of assumptions.

A prior-period adjustment of \$512,894 must be made to the beginning net position to reflect the recognition of the 2018 deferred inflow amortization due to changes of assumptions. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the District's beginning of year net position:

Net Position Beginning of Year, as Previously Stated	\$ (18,829,884)
2018 Amortization of the Deferred Inflow due to Changes of Assumptions	<u>512,894</u>
Net Position Beginning of Year, as Restated	<u><u>\$ (18,316,990)</u></u>

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2019, which is the date of the issuance of the financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST TWO FISCAL YEARS**

Ended June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 891,972	\$ 1,041,702
Interest	978,678	859,403
Changes in Assumptions or Other Inputs	(1,050,317)	(3,101,309)
Benefit Payments	(613,904)	(567,554)
Net Change in Total OPEB Liability	<u>206,429</u>	<u>(1,767,758)</u>
Total OPEB Liability - Beginning	<u>26,905,938</u>	<u>28,673,696</u>
Total OPEB Liability - Ending	<u>\$ 27,112,367</u>	<u>\$ 26,905,938</u>
Covered Payroll	\$ 3,745,235	\$ 3,675,631
Total OPEB Liability as a Percentage of Covered-Employee Payroll	723.92%	732.01%

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

See paragraph on supplementary schedules included in independent auditor's report.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2019

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 3,824,281	\$ 3,824,281
Other Tax Items	341,978	341,978
Charges for Services	4,480	4,480
Use of Money and Property	3,626	3,626
Sale of Property and Compensation for Loss	7,000	7,000
Miscellaneous	71,509	71,509
Total Local Sources	<u>4,252,874</u>	<u>4,252,874</u>
State Sources	4,131,314	4,131,314
Medicaid Reimbursement	-	-
Federal Sources	30,000	30,000
Total Revenues	<u>8,414,188</u>	<u>8,414,188</u>
OTHER FINANCING SOURCES		
Transfers From Other Funds	-	-
Appropriated Reserves	-	-
Total Revenues and Other Financing Sources	<u>8,414,188</u>	<u>8,414,188</u>
 EXPENDITURES		
General Support		
Board of Education	15,900	16,417
Central Administration	120,975	125,425
Finance	172,942	168,342
Staff	28,984	35,618
Central Services	521,429	521,430
Special Items	124,756	117,756
Total General Support	<u>984,986</u>	<u>984,988</u>
Instruction		
Instruction, Administration and Improvement	204,985	204,985
Teaching - Regular School	2,212,698	2,258,891
Programs for Children with Handicapping Conditions	974,044	909,784
Occupational Education	241,098	241,098
Instructional Media	295,185	313,091
Pupil Services	317,460	317,619
Total Instruction	<u>4,245,470</u>	<u>4,245,468</u>
Pupil Transportation	378,733	378,733
Community Service	1,017	1,017
Employee Benefits	2,331,929	2,331,929
Debt Service	842,053	842,053
Total Expenditures	<u>8,784,188</u>	<u>8,784,188</u>
OTHER FINANCING USES		
Operating Transfers to Other Funds	15,000	15,000
Total Expenditures and Other Financing Uses	<u>8,799,188</u>	<u>8,799,188</u>
Net Change in Fund Balance	(385,000)	(385,000)
Fund Balances - Beginning	1,302,049	1,302,049
Fund Balances - End	<u>\$ 917,049</u>	<u>\$ 917,049</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Actual		Final Budget Variance With Actual	
\$	3,823,053	\$	(1,228)
	343,481		1,503
	5,001		521
	11,386		7,760
	8,818		1,818
	133,581		62,072
	<u>4,325,320</u>		<u>72,446</u>
	4,107,789		(23,525)
	33,595		33,595
	<u>104,405</u>		<u>74,405</u>
	<u>8,571,109</u>		<u>156,921</u>
	-		-
	<u>8,571,109</u>		<u>\$ 156,921</u>
Year-End Encumbrances		Final Budget Variance With Actual and Encumbrances	
	\$ -	\$	-
16,417	-		5
125,420	-		13,562
154,780	-		2,777
32,841	-		140,954
380,476	-		6,110
111,646	-		163,408
<u>821,580</u>	<u>-</u>		<u>163,408</u>
194,994	-		9,991
2,203,446	-		55,445
793,517	-		116,267
231,825	-		9,273
301,258	-		11,833
281,341	-		36,278
<u>4,006,381</u>	<u>-</u>		<u>239,087</u>
319,337	-		59,396
-	-		1,017
2,121,204	-		210,725
837,612	-		4,441
<u>8,106,114</u>	<u>-</u>		<u>678,074</u>
8,087	-		6,913
<u>8,114,201</u>	<u>\$ -</u>	<u>\$</u>	<u>684,987</u>
456,908			
<u>1,302,049</u>			
<u>\$ 1,758,957</u>			

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN
LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
District's Proportion of the Net Pension Asset (Liability)	0.016960%	0.017258%	0.017303%	0.017118%	0.017639%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 306,676	\$ 131,176	\$ (185,326)	\$ 1,777,987	\$ 1,964,819
District's Covered Payroll	\$ 2,762,352	\$ 2,734,782	\$ 2,680,205	\$ 2,576,315	\$ 2,614,982
District's Proportionate Share of the Net Pension Asset (Liability) as Percentage of its Covered Payroll	<u>11.10%</u>	<u>4.80%</u>	<u>-6.91%</u>	<u>69.01%</u>	<u>75.14%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)					
District's Proportion of the Net Pension Asset (Liability)	0.0031941%	0.0030030%	0.0029084%	0.0028289%	0.0026408%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (226,314)	\$ (96,920)	\$ (273,281)	\$ (454,042)	\$ (89,212)
District's Covered Payroll	\$ 891,556	\$ 917,146	\$ 813,612	\$ 781,912	\$ 763,829
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>25.38%</u>	<u>10.57%</u>	<u>33.59%</u>	<u>58.07%</u>	<u>11.68%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	96.27%	98.24%	94.70%	90.68%	97.95%
10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.					

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN**LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
Contractually Required Contribution	\$ 270,729	\$ 320,516	\$ 354,052	\$ 450,752	\$ 423,391
Contributions in Relation to the Contractually Required Contribution	<u>270,729</u>	<u>320,516</u>	<u>354,052</u>	<u>450,752</u>	<u>423,391</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,762,352	\$ 2,734,782	\$ 2,680,205	\$ 2,576,315	\$ 2,576,315
Contributions as a Percentage of Covered Payroll	9.80%	11.72%	13.21%	17.50%	16.43%
Employees' Retirement System (ERS)					
Contractually Required Contribution	\$ 128,567	\$ 133,346	\$ 121,881	\$ 139,969	\$ 144,538
Contributions in Relation to the Contractually Required Contribution	<u>128,567</u>	<u>133,346</u>	<u>121,881</u>	<u>139,969</u>	<u>144,538</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 891,556	\$ 917,146	\$ 813,612	\$ 781,912	\$ 781,912
Contributions as a Percentage of Covered Payroll	14.42%	14.54%	14.98%	17.90%	18.49%

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

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE
REAL PROPERTY TAX LIMIT – GENERAL FUND**

June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 8,799,188
Add: Prior Year's Encumbrances	<u>-</u>
Original Budget	8,799,188
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 8,799,188</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2019-2020 Voter Approved Expenditure Budget	<u>\$ 9,130,517</u>
Maximum Allowed 4% of 2019-2020 Budget	<u><u>\$ 365,221</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 550,000
Unassigned Fund Balance	<u>390,409</u>
Total Unrestricted Fund Balance	<u>940,409</u>
Less:	
Appropriated Fund Balance	<u>550,000</u>
Total Adjustments	<u>550,000</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 390,409</u></u>
Actual Percentage	<u><u>4.28%</u></u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2019

PROJECT TITLE	Expenditures					Methods of Financing						Fund Balance 6/30/2019
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	
Buses	\$ 117,406	\$ 117,406	\$ -	\$ 117,406	\$ 117,406	\$ -	\$ -	\$ 117,406	\$ -	\$ -	\$ 117,406	\$ -
2017 Capital Project Unallocated	7,942,406	7,942,406	517,977	2,373,571	2,891,548	5,050,858	-	-	-	1,700,000	1,700,000	(1,191,548)
Totals	<u>\$ 8,059,812</u>	<u>\$ 8,059,812</u>	<u>\$ 517,977</u>	<u>\$ 2,490,977</u>	<u>\$ 3,008,954</u>	<u>\$ 5,050,858</u>	<u>\$ -</u>	<u>\$ 117,406</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>	<u>\$ 1,817,406</u>	<u>\$ (1,191,548)</u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2019

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital- Buses</u>	<u>Total Non-Major Funds</u>
ASSETS					
Cash					
Unrestricted	\$ 7,142	\$ 46,544	\$ -	\$ -	\$ 53,686
Receivables					
Due From Other Funds	7,179	-	41,223	-	48,402
State and Federal Aid	146,071	9,640	-	-	155,711
Due From Other Governments	730	-	-	-	730
Inventories	-	4,692	-	-	4,692
TOTAL ASSETS	<u>\$ 161,122</u>	<u>\$ 60,876</u>	<u>\$ 41,223</u>	<u>\$ -</u>	<u>\$ 263,221</u>
LIABILITIES					
Payables					
Accrued Liabilities	\$ -	\$ 3,177	\$ -	\$ -	\$ 3,177
Due to Other Funds	161,122	-	-	-	161,122
Due to Other Governments	-	195	-	-	195
Total Liabilities	<u>161,122</u>	<u>3,372</u>	<u>-</u>	<u>-</u>	<u>164,494</u>
FUND BALANCES					
Restricted	-	-	41,223	-	41,223
Nonspendable	-	4,692	-	-	4,692
Assigned	-	52,812	-	-	52,812
Total Fund Balances	<u>-</u>	<u>57,504</u>	<u>41,223</u>	<u>-</u>	<u>98,727</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 161,122</u>	<u>\$ 60,876</u>	<u>\$ 41,223</u>	<u>\$ -</u>	<u>\$ 263,221</u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	Special Aid	School Food Service	Debt Service	Capital- Buses	Total Non-Major Funds
REVENUES					
State Sources	\$ 80,987	\$ 3,600	\$ -	\$ -	\$ 84,587
Federal Sources	393,538	98,613	-	-	492,151
Surplus Food	-	14,979	-	-	14,979
Sales - School Food Service	-	81,490	-	-	81,490
Total Revenues	<u>474,525</u>	<u>198,682</u>	<u>-</u>	<u>-</u>	<u>673,207</u>
EXPENDITURES					
General Support	-	87,224	-	-	87,224
Instruction	460,059	-	-	-	460,059
Pupil Transportation	4,382	-	-	-	4,382
Employee Benefits	18,171	15,939	-	-	34,110
Capital Outlay	-	-	-	117,406	117,406
Cost of Sales	-	65,654	-	-	65,654
Total Expenditures	<u>482,612</u>	<u>168,817</u>	<u>-</u>	<u>117,406</u>	<u>768,835</u>
Deficiency of Revenues Over Expenditures	<u>(8,087)</u>	<u>29,865</u>	<u>-</u>	<u>(117,406)</u>	<u>(95,628)</u>
OTHER FINANCING SOURCES					
Premium on Debt Issuance	-	-	35,882	-	35,882
Operating Transfers In	8,087	-	-	-	8,087
Proceeds from Debt	-	-	-	117,406	117,406
Total Other Financing Sources	<u>8,087</u>	<u>-</u>	<u>35,882</u>	<u>117,406</u>	<u>117,406</u>
Net Change in Fund Balance	-	29,865	35,882	-	65,747
Fund Balances - Beginning of Year	<u>-</u>	<u>27,639</u>	<u>5,341</u>	<u>-</u>	<u>32,980</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 57,504</u>	<u>\$ 41,223</u>	<u>\$ -</u>	<u>\$ 98,727</u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2019

Capital Assets, Net		\$ 11,184,017
Add:		
Deferred Charge on Bond Refunding		<u>700</u>
Deduct:		
Bond Anticipation Note	\$ 5,250,000	
Less: Unspent Bond Anticipation Note Proceeds	<u>0</u>	5,250,000
Premium on Bonds Payable	\$ 15,801	
Short-Term Portion of Bonds Payable	372,406	
Long-Term Portion of Bonds Payable	<u>1,395,000</u>	<u>1,783,207</u>
Net Investment in Capital Assets		<u><u>\$ 4,151,510</u></u>

See paragraph on supplementary schedules included in independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**BOARD OF EDUCATION
SACKETS HARBOR CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards of generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sackets Harbor Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sackets Harbor Central School District's basic financial statements and have issued our report thereon dated September 16, 2019.

Internal Control over Financial Reporting

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

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

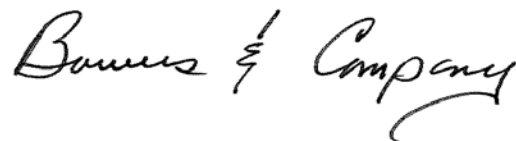
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Sackets Harbor Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Banner & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Watertown, New York
September 16, 2019

EXTRA CLASSROOM ACTIVITY FUNDS



INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE PRESIDENT AND MEMBERS OF THE BOARD OF EDUCATION SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Sackets Harbor Central School District for the year ended June 30, 2019, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Sackets Harbor Central School District for the year ended June 30, 2019, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Bowers & Company

Watertown, New York
September 16, 2019

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2019

	Cash Balance 7/1/2018	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2019
Class of:				
2019	\$ 4,945	\$ 3,230	\$ 7,528	\$ 646
2020	1,987	150	400	1,737
2021	1,881	2,631	1,028	3,484
2022	1,518	7,298	3,432	5,384
2023	2,468	4,428	6,764	132
2024	1,573	2,398	1,581	2,390
2025	-	5,600	2,739	2,861
5th Grade Funds	187	699	728	158
Art Club	2,110	935	1,484	1,561
Business Club	369	100	173	296
Cheerleaders	638	471	369	740
Environmental Club	328	-	-	328
Jr. Honor Society	1,041	100	201	940
Library Club	462	3,146	3,357	251
Music Club	2,600	-	2,087	513
Honor Society	718	1,488	1,655	551
Sentinels	3,241	3,607	4,282	2,566
Ski Club	1	-	1	0
SPARK	14,447	5,885	4,737	15,595
Spanish Club	595	679	846	428
Sports Club	442	940	1,071	311
World Literature Travelers	9,608	20,124	25,532	4,200
Yearbook	7,034	8,562	7,343	8,253
	<u>58,193</u>	<u>72,471</u>	<u>77,338</u>	<u>53,325</u>
NYS Sales Tax	<u>-</u>	<u>3,133</u>	<u>1,317</u>	<u>1,816</u>
Total	<u><u>\$ 58,193</u></u>	<u><u>\$ 75,604</u></u>	<u><u>\$ 78,655</u></u>	<u><u>\$ 55,142</u></u>

See note to the financial statement.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Sackets Harbor Central School District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the Sackets Harbor Central School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.

FORM OF BOND COUNSEL'S OPINION

June 18, 2020

Sackets Harbor Central School District
215 S. Broad Street
Sackets Harbor, New York 13685

Re: Sackets Harbor Central School District
\$6,242,406 Bond Anticipation Notes, 2020 CUSIP No: 785772

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$6,242,406 Bond Anticipation Notes, 2020 (the "Notes") of Sackets Harbor Central School District, County of Jefferson, State of New York (the "District"). The Notes are dated June 18, 2020 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, a bond resolution adopted on June 20, 2017 of the District and a Certificate of Determination dated on or before June 18, 2020 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

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

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

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

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

Very truly yours,

Trespasz & Marquardt, LLP