

## PRELIMINARY OFFICIAL STATEMENT

### 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 School 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.*

# \$8,255,000



## **SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT** **JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK**

### **GENERAL OBLIGATIONS**

**\$8,255,000 Bond Anticipation Notes, 2021 (Renewals)**  
(the "Notes")

**Dated: June 29, 2021**

**Due: June 29, 2022**

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

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

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the School District. The Notes will be issued in denominations of \$5,000 or multiples thereof. A single note certificate will be issued for Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (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 respective approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s) on or about June 29, 2021.

**ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via [www.FiscalAdvisorsAuction.com](http://www.FiscalAdvisorsAuction.com), on June 16, 2021 by no later than 11:00 A.M. E.T. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.**

June 1, 2021

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH 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.

# **SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT**

## **JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK**

### **2020-2021 BOARD OF EDUCATION**

PAMELA THOMAS  
President



KENNETH BIBBINS  
Vice President

KELLY DAVIS  
RANDY JEROME  
JAMES JUCZAK  
JUSTIN VANCOUGHNETT  
STEPHANIE WIDRICK

\* \* \* \* \*

### **ADMINISTRATION**

SCOTT SLATER  
Superintendent of Schools

CORA HARVEY  
School Business Administrator

MICHELLE L. JAQUES  
School District Clerk

 FERRARA FIORENZA PC  
School District Attorney



FISCAL ADVISORS & MARKETING, INC.  
Municipal Advisor



**TRESPASZ & MARQUARDT, LLP**  
BOND COUNSEL

No person has been authorized by South Jefferson 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 South Jefferson Central School District.

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PREPARED WITH THE ASSISTANCE OF



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**OFFICIAL STATEMENT**  
**of the**  
**SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT**  
**JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK**  
**Relating To**  
**\$8,255,000 Bond Anticipation Notes, 2021 (Renewals)**

This Official Statement, which includes the cover page and appendices, has been prepared by the South Jefferson Central School District, Jefferson, Lewis and Oswego Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$8,255,000 principal amount of Bond Anticipation Notes, 2021 (Renewals) (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.

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

**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 of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" hereunder and "TAX LEVY LIMITATION LAW" herein.

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

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

### **No Optional Redemption**

The Notes are not subject to redemption prior to maturity.

### **Purpose of Issue**

The Notes are 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 January 10, 2018 authorizing a capital project in the amount of \$8,575,000 and the issuance of serial bonds or notes for various improvements and reconstruction of District buildings and facilities.

The proceeds of the Notes, along with \$275,000 available funds of the District, will partially redeem and renew the \$8,530,000 bond anticipation notes maturing June 30, 2021 for the aforementioned purpose.

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

#### **Certificated Notes**

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

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

## THE SCHOOL DISTRICT

### General Information

The District is located in upstate New York and is situated principally in the County of Jefferson, with small sections located to the east in the County of Lewis and to the south in the County of Oswego. The City of Watertown is approximately 10 miles to the north, the City of Oswego approximately 30 miles southwest and the City of Syracuse 45 miles to the south.

The District encompasses a land area of approximately 221 square miles.

Major highways of service to the School District include Interstate route #81, New York State routes #11, #177 and #178. The Penn Central Railroad, several motor freight lines and the Watertown Municipal Airport also service transportation for the District.

The District is residential and agricultural in nature. Commercial services to the residents are located in the Villages of Adams and Mannsville, as well as in and around Watertown.

Source: District officials.

### Population

The current estimated population of the District is 10,977. (Source: 2019 U.S. Census Bureau estimate)

### Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
Towns of:						
Adams	\$ 17,707	\$ 24,398	\$ 26,483	\$ 48,354	\$ 61,154	\$ 79,143
Ellisburg	17,102	19,239	30,301	40,903	45,000	66,215
Hounsfield	19,806	28,733	35,316	47,742	71,827	89,231
Lorraine	14,471	19,117	23,682	40,417	44,750	67,500
Rodman	15,453	29,742	30,908	43,750	72,411	79,792
Rutland	14,919	22,677	25,295	38,906	57,679	68,975
Watertown	21,786	25,159	33,767	46,563	75,481	87,917
Worth	12,584	21,260	28,031	31,250	60,000	66,250
Boylston	17,360	18,536	29,583	44,792	42,188	77,917
Pinckney	13,733	17,562	23,441	35,417	53,409	N/A
Counties of:						
Jefferson	16,202	21,823	26,194	39,296	51,834	62,510
Lewis	14,971	20,970	26,708	39,287	49,554	62,508
Oswego	16,853	21,604	28,587	43,821	56,364	67,269
State of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

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

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



## Five Largest Employers

The following are the five larger employers located within or in close proximity to the District.

<u>Name of Employer</u>	<u>Nature of Business</u>	<u># Employed</u>
Samaritan Medical	Hospital	800
NYS Department of Corrections	Correctional Facility	400
Fuccillo	Car Dealer	210
Great Lakes	Cheese	130
Porterdale	Farms	120

Source: District officials.

## Unemployment Rate Statistics

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

	<u>Annual Average</u>								
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Jefferson County	9.9%	9.2%	7.6%	6.6%	6.2%	6.6%	5.6%	5.3%	8.7%
Lewis County	10.1%	9.7%	7.9%	7.0%	6.8%	6.6%	5.5%	5.3%	7.7%
Oswego County	11.0%	9.9%	8.1%	7.2%	6.5%	6.5%	5.5%	5.2%	8.9%
New York State	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%	4.1%	3.8%	10.0%

	<u>2021 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Jefferson County	7.2%	8.0%	7.1%	5.8%	N/A	N/A
Lewis County	7.6%	8.2%	7.6%	6.1%	N/A	N/A
Oswego County	8.0%	8.2%	7.4%	6.2%	N/A	N/A
New York State	9.4%	9.7%	8.4%	7.8%	N/A	N/A

Note: Unemployment rates for May and June 2021 are unavailable as of the date of this Official Statement. Due to the COVID-19 pandemic, unemployment rates are expected to remain at the increased level for the foreseeable future.

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

## Form of School Government

The Board of Education, which is the policy-making body of the School District, consists of seven members with overlapping five-year terms so that as nearly an equal number as possible is elected to the Board each year. Each Board member must be a qualified voter of the School District. 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.

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

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

#### *Recent Budget Vote Results*

The budget for the 2020-21 fiscal year was approved by the qualified voters on June 16, 2020 with a vote of 1,216 to 560. The District’s budget for 2020-21 remains within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The tax increase is 3.38%, which is below the limit of 3.4%.

The budget for the 2021-22 fiscal year was approved by the qualified voters on May 18, 2021 by a vote of 695 to 164. The District’s adopted budget for the 2021-22 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for a total tax levy increase of 1.00 %, which is equal to the District tax levy limit of 1.00%.

#### **Investment Policy**

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

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the School District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

#### **State Aid**

The District receives financial assistance from the State. In its adopted budget for the 2021-2022 fiscal year, approximately 75.88% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District. (See also "MARKET AND RISK FACTORS" herein).

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).

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See "Stat 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 such as the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

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

The State 2020-2021 Budget continues to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

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

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

#### *Building aid*

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2021-2022 preliminary building aid ratios, the District expects to receive State building aid of approximately 89.0% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

#### *State aid history*

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

*School district fiscal year (2016-2017):* The 2016-2017 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District is 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 2009-2010 and was called "Deficit Reduction Assessment") as a way to help close the State's then \$10 billion budget deficit. Under legislation, a portion of the funding shortfall at the State level was divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA was a negative number, money that was deducted from the aid originally due to the District. The total aggregate GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to \$35,283,720. 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. The State 2017-2018 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected.

*School district fiscal year (2018-2019):* The State's 2018-2019 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately \$859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at \$26.03 billion statewide, a 3.4% increase over the prior year. The State's 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive

year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State's 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. \$50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State's 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-2019. The State 2018-2019 Enacted Budget continued to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

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

On October 30, 2020, the New York State Division of Budget (the "DOB") released its Fiscal Year 2021 Mid-Year State Budget Financial Plan Update (the "Financial Plan"), which projects a \$14.9 billion General Fund revenue decline and a 15.3% All Funds tax receipts decline from the Budget forecast released in February, creating a total loss of nearly \$63 billion through fiscal year 2024 as a direct consequence of the COVID-19 pandemic. The budget gaps for future years are now projected at \$8.7 billion in fiscal year 2022, \$9.7 billion in fiscal year 2023, and \$9.4 billion in fiscal year 2024. The Financial Plan estimates and projections for each year, including fiscal year 2021, reflect \$8 billion in local aid reductions that are expected to be executed pursuant to the budget reduction authority granted to the Budget Director in the Enacted Budget (the "Reduction Authority"). Substantially all such outyear savings are dependent on the Legislature approving the continuation of the Reduction Authority or specific gap-closing actions, or both, in future years. If the U.S. Congress approves substantial new recovery aid to the states and localities, the level of State-planned reductions may be reduced. In the absence of Federal action since enactment of the FY 2021 budget, DOB began withholding 20 percent of most local aid payments in June 2020, pursuant to the withholding authority granted by State legislation enacted in connection with the adoption of the Enacted Budget. It has also imposed a rigorous process for reviewing all planned payments for local aid, agency operations, and capital projects. Through the end of September 2020, DOB estimates that approximately \$2.4 billion in local aid payments were not made as budgeted. All or a portion of these budgeted payments may not be made during fiscal year 2021, depending on the size and timing of new Federal aid, if any. Consistent with the Enacted Budget Financial Plan, the State has implemented a hiring freeze and controls on non-personal service and capital commitments and expenditures. It has also deferred, through December 30, 2020, the general salary increases that were scheduled to take effect on April 1, 2020. State agencies have been directed to reduce operating expenditures by 10 percent from the levels authorized in the Enacted Budget Financial Plan.

Source: NYS Dept. Of Education, State Aid Website. This source pertains only to the October 30, 2020 updates detailed in the paragraph above. Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

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

*School district fiscal year (2020-2021):* Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these federal funds, State aid in the school district fiscal year 2020-2021 was expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget.

*School district fiscal year (2021-2022):* The State's 2021-22 Budget included \$29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments are to receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and will receive a full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

#### *Federal aid received by the State*

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

President Biden has signed into law the American Rescue Plan, a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits. The District anticipates receiving \$1,609,458 in Coronavirus Response and Relief Supplemental Appropriations Act funds and \$5,554,966 in American Rescue Plan funds.

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

#### *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 CFE case that absent “gross education inadequacies”, claims regarding state funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

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

## State Aid Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2015-2016	\$ 29,796,255	\$ 21,890,933	73.47%
2016-2017	29,796,255	21,890,833	73.47
2017-2018	31,675,975	23,606,366	74.52
2018-2019	32,731,299	24,572,060	75.07
2019-2020	33,858,086	25,455,314	75.18
2020-2021 (Budgeted)	34,731,088	26,239,272	75.55
2021-2022 (Budgeted)	35,130,338	26,658,398	75.88

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

## School Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built/Additions</u>
South Jefferson Central School	K-12	2,000	1960, '65, '75, '99

Source: District officials.

## Enrollment Trends

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2016-17	1,899	2021-22	1,900
2017-18	1,941	2022-23	1,900
2018-19	1,887	2023-24	1,900
2019-20	1,894	2024-25	1,900
2020-21	1,715	2025-26	1,900

Note: The School District’s enrollment is slightly impacted by Fort Drum, however, the number of students does not have a drastic impact on overall enrollment figures. This is evidenced by the relatively small amount of Federal Impact Aid the District receives.

Source: District officials.

## Employees

The School District employs a total of approximately 359 full and part-time employees. Employees are represented by various unions as follows:

<u>Employees Represented</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
146	South Jefferson Teachers' Association	June 30, 2022
146	School Support Staff	June 30, 2022

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 program

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2021-2022 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2016-2017	\$ 658,948	\$ 1,492,183
2017-2018	610,736	1,337,445
2018-2019	590,202	1,149,978
2019-2020	635,730	1,263,133
2020-2021	633,626	1,072,958
2021-2022 (Budgeted)	810,767	1,276,965

Source: District officials.



The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually. The District is amortizing pension payments for the New York State Local Retirement System for the years 2012 through 2016.

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

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

A chart of average ERS and TRS rates as a percent of payroll (2016-17 to 2020-21) 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

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.

*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 participate in the Stable Rate Pension Contribution Option.

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. The District established a TRS reserve fund on June 12, 2019.

## 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. For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this statement requires District's to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

The District contracted with Aquarius Capital, to calculate its actuarial valuation under GASB 75 for the fiscal year ending June 30, 2020.

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

Balance beginning at:	June 30, 2018	June 30, 2019
	\$ 77,270,743	\$ 81,662,384
<u>Changes for the year:</u>		
Service cost	2,372,352	2,616,568
Interest	2,794,911	2,523,909
Differences between expected and actual experience	3,477,603	(2,566,213)
Changes in assumptions or other inputs	(1,984,525)	7,724,476
Benefit payments	(2,268,700)	-
Net Changes	\$ 4,391,641	\$ 10,298,740
Balance ending at:	June 30, 2019	June 30, 2020
	\$ 81,662,384	\$ 91,961,124

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

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

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

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. 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, 2020 and is attached hereto as "APPENDIX – D. Certain financial information of the District can be found attached as Appendices to the Official Statement.

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

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

## 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 2, 2017. The purpose of the audit was to examine the internal controls over District-provided community services for the period July 1, 2014 through May 9, 2016.

### Key Findings:

- The backpack Program's fund did not reimburse the school lunch fund for a minimum of \$4,640 spent on Program expenditures.
- Although the Board adopted a transportation and use of building policy, its intentions for fees to be charged for using District property were not clearly outlined.
- The District's cost per mile for its buses was \$4.59 but District officials charged most non-District users \$2.85 per mile, a difference of \$1.74 per mile.

### Key Recommendations:

- Ensure the Program's fund reimburses the District for all Program expenditures paid from other funds.
- Establish clear guidelines to reflect the Board's position on free transportation services.
- Revise the transportation policy periodically to include updated reimbursement rates that cover the District's costs and periodically update the District's cost per mile reimbursement rate analysis.

The District provided a complete response to the State Comptroller's office on April 11, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other State 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.

## 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>
2020	No Designation	0.0%
2019	No Designation	0.0%
2018	No Designation	0.0%

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

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

## TAX INFORMATION

### Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Adams	\$ 287,516,374	\$ 288,691,699	\$ 291,853,822	\$ 291,245,103	\$ 293,837,921
Ellisburg	91,093,057	91,756,719	93,443,939	94,790,190	97,108,138
Hounsfiled	4,373,461	4,491,706	4,446,342	4,456,876	4,439,049
Lorraine	57,149,985	64,662,567	65,298,508	65,621,316	65,772,426
Rodman	72,342,536	82,470,887	84,137,824	85,009,210	85,784,890
Rutland	3,214,600	3,220,050	3,364,393	3,379,723	3,450,726
Watertown	70,393,864	70,888,314	71,580,622	71,740,888	72,118,061
Worth	29,804,584	30,415,917	29,962,087	30,000,127	30,425,127
Boylston	913,500	913,500	913,500	914,080	919,800
Pinckney	398,619	398,669	400,114	400,156	395,704
Total Assessed Values	<u>\$ 617,200,580</u>	<u>\$ 637,910,028</u>	<u>\$ 645,401,151</u>	<u>\$ 647,557,669</u>	<u>\$ 654,251,842</u>

### State Equalization Rates

Towns of:					
Adams	100.00%	100.00%	100.00%	100.00%	100.00%
Ellisburg	100.00%	100.00%	100.00%	100.00%	100.00%
Hounsfiled	100.00%	96.00%	91.00%	91.00%	93.00%
Lorraine	92.50%	100.00%	100.00%	100.00%	99.00%
Rodman	92.50%	100.00%	100.00%	100.00%	99.00%
Rutland	61.00%	61.00%	61.00%	61.00%	61.00%
Watertown	63.50%	65.00%	64.00%	63.00%	62.00%
Worth	91.50%	88.00%	87.00%	90.00%	90.00%
Boylston	95.00%	95.00%	96.00%	97.00%	89.00%
Pinckney	93.00%	100.00%	95.00%	95.00%	83.00%
Total Taxable Full Valuation	<u>\$ 673,064,639</u>	<u>\$ 682,522,238</u>	<u>\$ 692,792,219</u>	<u>\$ 695,675,482</u>	<u>\$ 706,099,741</u>

### Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Adams	\$ 10.91	\$ 10.90	\$ 11.01	\$ 11.32	\$ 11.53
Ellisburg	10.91	10.90	11.01	11.32	11.53
Hounsfiled	10.91	11.36	12.10	12.44	12.40
Lorraine	11.79	10.90	11.01	11.32	11.65
Rodman	11.79	10.90	11.01	11.32	11.65
Rutland	17.88	17.88	18.05	18.56	18.91
Watertown	17.18	16.77	17.21	17.97	18.60
Worth	11.92	12.39	12.66	12.58	12.82
Boylston	11.48	11.48	11.47	11.67	12.96
Pinckney	11.73	10.90	11.59	11.92	13.90

### Tax Collection Procedure

Tax payments are due September 1st. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged from October 1st to October 31<sup>st</sup>. After October 31<sup>st</sup>, uncollected taxes are returnable to Jefferson, Lewis and Oswego Counties for collection. The School District receives this amount from said Counties prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by said Counties.

## Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Tax Levy	\$ 7,343,394	\$ 7,441,625	\$ 7,630,000	\$ 7,878,000	\$ 8,144,000
Amount Uncollected <sup>(1)</sup>	435,598	460,094	454,663	412,318	463,951
% Uncollected	5.93%	6.18%	5.96%	5.23%	5.70%

<sup>(1)</sup> See "Tax Collection Procedure" herein.

## Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes &amp; Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2015-2016	\$ 29,066,609	\$ 7,254,258	24.35%
2016-2017	30,909,638	7,399,193	23.94
2017-2018	31,675,975	7,497,789	23.67
2018-2019	32,731,299	7,676,316	23.45
2019-2020	33,858,086	7,931,903	23.43
2020-2021 (Budgeted)	34,654,772	8,197,500	23.65
2021-2022 (Budgeted)	35,130,338	8,265,440	23.53

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

## Larger Taxpayers 2020 for 2020-2021 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
National Grid	Utility	\$ 23,998,874
New York State DEC	Government	11,786,900
Porterdale Farms, Inc.	Farm	5,048,500
CSX Transportation, Inc.	Railroad	4,335,126
Alford Timothy C	Private	3,299,200
Citizens Telecom UCI NY, Inc.	Utility	2,567,664
Salmon River Timberlands LLC	Commercial	2,779,300
Jefferson County	Government	2,528,600
Fuccillo, William B	Commercial	2,261,300
Burnham Properties	Commercial	2,014,500

The ten larger taxpayers listed above have a total taxable assessed valuation of \$60,619,964, which represents 8.59% of the tax base of the District.

As of the date of this Official Statement, the District currently does not have pending or outstanding tax certioraris that are known to have a material impact on the District.

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 \$90,550 or less for 2021, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a “basic” exemption on their primary residence.

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

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

<b><u>Municipality</u></b>	<b><u>Enhanced Exemption</u></b>	<b><u>Basic Exemption</u></b>	<b><u>Date Certified</u></b>
Adams	\$ 70,700	\$ 30,000	4/9/2021
Ellisburg	70,700	30,000	4/9/2021
Hounsfield	65,750	27,900	4/9/2021
Lorraine	69,990	29,700	4/9/2021
Rodman	69,990	29,700	4/9/2021
Rutland	70,700	30,000	4/9/2021
Watertown	43,830	18,600	4/9/2021
Worth	63,630	27,000	4/9/2021
Boylston	62,920	26,700	4/9/2021
Pinckney	59,020	25,370	4/9/2021

\$975,540 of the District’s \$8,144,000 school tax levy for 2020-21 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2021.

Approximately \$975,540 of the District’s \$8,225,440 school tax levy for 2021-2022 is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2022.

## Additional Tax Information

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

Senior citizen exemptions are offered to those who qualify.

Total assessed valuation of the School District is estimated to be categorized as follows: Residential-40%, Agricultural-20%, Commercial-10% and Industrial-30%.

The estimated total annual property tax bill of a \$75,000 market value residential property located in the School District is approximately \$1,550 including State, 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, the latter four of which are indirectly affected by applicability to their respective City.)

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

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020, however, 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 due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

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

See "State Aid" for a discussion of the New Yorkers for Students' Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

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

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

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

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

### **Statutory Procedure**

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



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

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 School 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 30<sup>th</sup>:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 23,430,000	\$ 22,085,000	\$ 19,270,000	\$ 16,505,000	\$ 13,640,000
Bond Anticipation Notes	2,516,638	1,265,032	1,570,896	4,861,360	11,399,907
Revenue Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$ 25,946,638	\$ 23,350,032	\$ 20,840,896	\$ 21,366,360	\$ 25,039,907

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## Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 1, 2021.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2021-2032	\$ 12,330,000
<u>Bond Anticipation Notes</u>		
Capital Project	June 30, 2021	8,530,000 <sup>(1)</sup>
Purchase of School Buses	February 11, 2022	<u>2,229,095</u>
	Total Indebtedness	<u>\$ 23,089,095</u>

<sup>(1)</sup> To be partially redeemed and renewed at maturity with the proceeds of the Notes and \$275,000 available funds of the District.

## Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 1, 2021:

Full Valuation of Taxable Real Property .....	\$ 706,099,741
Debt Limit 10% thereof .....	70,609,974

### Inclusions:

Bonds .....	\$ 12,330,000
Bond Anticipation Notes .....	2,504,095
Principal of this Issue .....	<u>8,255,000</u>
Total Inclusions .....	<u>\$ 23,089,095</u>

### Exclusions:

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

Total Net Indebtedness ..... \$ 23,089,095

Net Debt-Contracting Margin ..... \$ 47,520,879

The percent of debt contracting power exhausted is ..... 32.70%

<sup>(1)</sup> Based on preliminary 2021-2022 building aid estimates, the District anticipates State Building aid of 89.0% 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

The District typically borrows bond anticipation notes for buses in the winter. The District voters approved the authorization of \$781,000 for bus purchases at the June 16, 2020 budget vote. The District issued \$2,229,095 bond anticipation notes on February 11, 2021, along with \$634,245 available funds of the District to partially redeem and renew the \$2,082,340 bond anticipation notes that matured February 12, 2021 and provide \$781,000 new monies for the purchase of buses.

On May 16, 2017, District voters approved a \$8.575 million capital project which includes infrastructure renovations and upgrades at each of the District buildings, as well as, the resurfacing of the Bill Arthur Track at Wilson and the construction of a new turf field stadium at Clarke. The District issued \$3,000,000 bond anticipation notes on February 14, 2019 as the first borrowing for this project. On July 9, 2019 the District issued \$8,575,000 bond anticipation notes to renew the \$3,000,000 bond anticipation notes maturing July 10, 2019 in full and provide \$5,575,000 in new money for the above mentioned project. On July 8, 2020 the District

issued \$8,530,000 bond anticipation notes, along \$45,000 available funds of the District to partially redeem and renew the \$8,575,000 bond anticipation notes that matured July 9, 2020. The Notes are being issued \$275,000 available funds of the District to partially redeem and renew the \$8,530,000 bond anticipation notes maturing June 30, 2021.

On April 8, 2020 the Board of Education of the District adopted a bond resolution authorizing the issuance of bonds and other obligations for the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services ("BOCES") to undertake a capital project consisting of the acquisition, at no additional cost to BOCES, of the facility now known as the Boak Education Center and previously known as St. Peter's Catholic School, located at 5437 Shady Avenue, Lowville, New York, and (2) the renovation, reconstruction, refurnishing and altering the Boak Education Center, the Bohlen Technical Center, the A.C.E.S./Adult Learning Center and the Sackett Technical Center. The District portion of the project is at an estimated cost not to exceed \$1,650,148. The District issued \$742,567 bond anticipation notes on May 21, 2020 for the above mentioned purpose.

There are currently no other capital projects authorized or contemplated at this time by the School District.

## Cash Flow Borrowings

The District issued revenue anticipation notes on July 8, 2020 in anticipation of revenues due from the State during the School District's fiscal year, commencing July 1, 2020 and ending June 30, 2021. The District paid the revenue anticipation notes that matured April 30, 2021 with available funds. The District does not intend to issue revenue anticipation notes for the 2021-22 fiscal year.

## 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 of the respective municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Exclusions</u> <sup>(2)</sup>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Jefferson	12/31/2019	\$ 27,058,741	\$ 4,673,741	\$ 22,385,000	8.34%	\$ 1,866,909
Lewis	12/31/2019	8,568,192	-	8,568,192	0.02%	1,714
Oswego	12/31/2019	5,002,581	667,581	4,335,000	0.01%	434
Town of:						
Adams	12/31/2019	948,975	248,375	700,600	95.92%	672,016
Ellisburg	12/31/2019	1,930,876	1,930,876	-	32.45%	-
Hounsfield	12/31/2019	5,528,777	5,528,777	-	1.26%	-
Lorraine	12/31/2019	-	-	-	100.00%	-
Rodman	12/31/2019	-	-	-	100.00%	-
Rutland	12/31/2019	5,402,712	1,158,773	4,243,939	2.74%	116,284
Watertown	12/31/2019	6,115,000	2,625,000	3,490,000	21.42%	747,558
Worth	12/31/2019	-	-	-	100.00%	-
Boylston	12/31/2019	-	-	-	2.19%	-
Pinckney	12/31/2019	-	-	-	1.13%	-
Village of:						
Adams	5/31/2020	4,135,000	3,470,000	665,000	100.00%	665,000
Mannsville	5/31/2020	991,867	991,867	-	100.00%	-
Total:						<u>\$ 4,069,914</u>

<sup>(1)</sup> Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

<sup>(2)</sup> Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2019 for the counties and towns listed above and in 2020 for the villages listed above.

## Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 1, 2021:

	<u>Amount</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Value</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup> .....	\$ 23,089,095	\$ 2,103.41	3.27%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> .....	27,159,009	2,474.17	3.85

(a) The current estimated population of the District is 10,977. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2020-2021 fiscal year is \$706,099,741. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

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

(d) Estimated net overlapping indebtedness is \$4,069,914. (See "Estimated Overlapping Indebtedness" herein.)

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

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

## **MARKET AND RISK FACTORS**

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

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

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

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

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

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

## **COVID-19**

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken and continues to take steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District’s operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “State Aid” and “State Aid History” herein).

## **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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E”.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The School District has covenanted to comply with certain restrictions designed to insure 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. For example, legislative proposals have been advanced that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, 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 opinions of Trespasz & Marquardt, LLP, Bond Counsel. Bond Counsel's opinions will be in substantially the forms attached hereto as "APPENDIX – E".

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

## **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 financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the

appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to Fiscal Advisors are partially contingent on the successful closing of the Notes.

### **CUSIP IDENTIFICATION NUMBERS**

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

### **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 which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX – C", attached hereto).

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its underlying rating of "A+" with a stable outlook to the District's outstanding bonds. The rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38<sup>th</sup> 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](http://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: Cora Harvey, Business Manager, South Jefferson Central School District, P.O. Box 10, Adams, New York 13605, telephone (315) 583-6104, fax (315) 583-6104, Email: [charvey@spartanpride.org](mailto:charvey@spartanpride.org).

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

**SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT**

**Dated: June 1, 2021**

**TODD DACK**  
**PRESIDENT OF THE BOARD OF EDUCATION AND**  
**CHIEF FISCAL OFFICER**

**GENERAL FUND**

**Balance Sheets**

Fiscal Years Ending June 30:	2016	2017	2018	2019	2020
<b>ASSETS</b>					
Unrestricted Cash	\$ 2,255,262	\$ 2,176,012	\$ 2,758,197	\$ 3,203,420	\$ 5,125,376
Restricted Cash	60,671	64,218	74,765	282,341	397,646
Accounts Receivable	9,087	3,468	5,222	1,891	227
Due from Other Funds	616,269	674,916	1,048,444	1,099,529	1,022,861
State and Federal Aid Receivable	916,242	1,473,912	1,059,712	1,252,451	2,412,719
Other Receivables	2,992	-	-	-	28,263
Prepaid Expenditures	<u>152,558</u>	<u>30,442</u>	<u>31,203</u>	<u>31,983</u>	<u>32,783</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,013,081</u></u>	<u><u>\$ 4,422,968</u></u>	<u><u>\$ 4,977,543</u></u>	<u><u>\$ 5,871,615</u></u>	<u><u>\$ 9,019,875</u></u>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 72,650	\$ 63,902	\$ 110,738	\$ 96,022	\$ 48,742
Accrued Liabilities	216,004	200,663	200,016	177,914	217,423
Due to Other Funds	99,992	3,547	40,467	40,099	1,775,642
Due to Other Governments	67,313	67,313	67,313	67,313	67,313
Due to Teachers' Retirement System	74,400	71,500	62,308	58,141	61,840
Due to Employee's Retirement System	6,479	90	-	-	8,285
Compensated Absences	-	-	-	-	-
Deferred Revenue	-	-	6,700	-	482,543
Bond Anticipation Notes Payable	<u></u>	<u></u>	<u></u>	<u></u>	<u>742,567</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 536,838</u></u>	<u><u>\$ 407,015</u></u>	<u><u>\$ 487,542</u></u>	<u><u>\$ 439,489</u></u>	<u><u>\$ 3,404,355</u></u>
<b>FUND EQUITY</b>					
Nonspendable	\$ 152,558	\$ 30,442	\$ 31,203	\$ 31,983	\$ 32,783
Restricted	60,671	60,671	60,671	282,341	282,341
Assigned	2,250,959	2,069,645	2,186,676	2,416,581	2,349,992
Unassigned	<u>1,012,055</u>	<u>1,855,195</u>	<u>2,211,451</u>	<u>2,701,221</u>	<u>2,950,404</u>
<b>TOTAL FUND EQUITY</b>	<u><u>\$ 3,476,243</u></u>	<u><u>\$ 4,015,953</u></u>	<u><u>\$ 4,490,001</u></u>	<u><u>\$ 5,432,126</u></u>	<u><u>\$ 5,615,520</u></u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u><u>\$ 4,013,081</u></u>	<u><u>\$ 4,422,968</u></u>	<u><u>\$ 4,977,543</u></u>	<u><u>\$ 5,871,615</u></u>	<u><u>\$ 9,019,875</u></u>

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

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance**

Fiscal Years Ending June 30:	2015	2016	2017	2018	2019
<b>REVENUES</b>					
Real Property Taxes	\$ 5,813,174	\$ 6,051,555	\$ 6,222,179	\$ 6,345,091	\$ 6,559,170
Real Property Tax Items	1,191,484	1,202,703	1,177,014	1,152,698	1,117,146
Charges for Services	140,349	171,054	160,465	153,322	162,767
Use of Money & Property	5,674	1,991	2,722	4,684	21,901
Sale of Property and Compensation for Loss	36,052	26,024	981	18,480	8,739
Miscellaneous	331,994	342,980	274,446	296,014	269,729
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	21,453,214	21,890,833	22,945,205	23,699,055	24,572,060
Revenues from Federal Sources	94,668	109,115	126,626	6,631	19,787
Total Revenues	<u>\$ 29,066,609</u>	<u>\$ 29,796,255</u>	<u>\$ 30,909,638</u>	<u>\$ 31,675,975</u>	<u>\$ 32,731,299</u>
<b>Other Sources:</b>					
Interfund Transfers	<u>182,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 29,249,008</u>	<u>\$ 29,796,255</u>	<u>\$ 30,909,638</u>	<u>\$ 31,675,975</u>	<u>\$ 32,731,299</u>
<b>EXPENDITURES</b>					
General Support	\$ 2,667,590	\$ 2,715,442	\$ 2,575,663	\$ 2,893,054	\$ 2,873,565
Instruction	13,617,233	14,052,965	14,498,632	14,908,425	15,187,906
Pupil Transportation	1,730,180	1,745,013	1,663,419	1,675,503	1,675,318
Community Services	-	-	-	-	-
Employee Benefits	7,260,121	7,711,988	7,480,508	7,620,983	7,917,853
Debt Service	433,681	436,358	119,864	500,481	604,736
Total Expenditures	<u>\$ 25,708,805</u>	<u>\$ 26,661,766</u>	<u>\$ 26,338,086</u>	<u>\$ 27,598,446</u>	<u>\$ 28,259,378</u>
<b>Other Uses:</b>					
Interfund Transfers	<u>2,820,385</u>	<u>3,278,192</u>	<u>4,031,842</u>	<u>3,603,481</u>	<u>3,529,796</u>
Total Expenditures and Other Uses	<u>28,529,190</u>	<u>29,939,958</u>	<u>30,369,928</u>	<u>31,201,927</u>	<u>31,789,174</u>
Excess (Deficit) Revenues Over Expenditures	<u>719,818</u>	<u>(143,703)</u>	<u>539,710</u>	<u>474,048</u>	<u>942,125</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	2,900,128	3,619,946	3,476,243	4,015,953	4,490,001
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,619,946</u>	<u>\$ 3,476,243</u>	<u>\$ 4,015,953</u>	<u>\$ 4,490,001</u>	<u>\$ 5,432,126</u>

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

**GENERAL FUND**

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

Fiscal Year Ending June 30:	<b>2020</b>			<b>2021</b>	<b>2022</b>
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
<b>REVENUES</b>					
Real Property Taxes	\$ 7,878,000	\$ 7,878,000	\$ 6,860,158	\$ 8,144,000	\$ 8,225,440
Real Property Tax Items	53,500	53,500	1,071,745	53,500	40,000
Charges for Services	29,000	97,545	149,286	184,000	-
Use of Money & Property	2,500	2,500	71,330	2,500	-
Sale of Property and					
Compensation for Loss	-	-	5,715	-	-
Miscellaneous	186,500	186,500	240,950	31,500	206,500
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	25,655,780	25,655,780	25,455,314	26,239,272	26,658,398
Revenues from Federal Sources	-	-	3,588	-	-
<b>Total Revenues</b>	<b>\$ 33,805,280</b>	<b>\$ 33,873,825</b>	<b>\$ 33,858,086</b>	<b>\$ 34,654,772</b>	<b>\$ 35,130,338</b>
<b>Other Sources:</b>					
Interfund Transfers	-	-	27,833	76,316	-
<b>Total Revenues and Other Sources</b>	<b>\$ 33,805,280</b>	<b>\$ 33,873,825</b>	<b>\$ 33,885,919</b>	<b>\$ 34,731,088</b>	<b>\$ 35,130,338</b>
<b>EXPENDITURES</b>					
General Support	\$ 4,391,314	\$ 4,459,840	\$ 3,787,128	\$ 4,169,158	\$ 3,729,380
Instruction	16,185,889	16,307,211	15,386,679	15,705,717	15,810,692
Pupil Transportation	2,000,672	2,048,983	1,541,490	2,068,083	2,159,030
Community Services	-	-	-	-	-
Employee Benefits	9,227,230	9,194,387	8,844,602	10,117,853	10,608,280
Debt Service	722,196	736,566	635,207	1,367,908	1,387,777
<b>Total Expenditures</b>	<b>\$ 32,527,301</b>	<b>\$ 32,746,987</b>	<b>\$ 30,195,106</b>	<b>\$ 33,428,719</b>	<b>\$ 33,695,159</b>
<b>Other Uses:</b>					
Interfund Transfers	3,543,419	3,543,419	3,507,419	3,543,619	3,546,407
<b>Total Expenditures and Other Uses</b>	<b>36,070,720</b>	<b>36,290,406</b>	<b>33,702,525</b>	<b>36,972,338</b>	<b>37,241,566</b>
<b>Excess (Deficit) Revenues Over Expenditures</b>	<b>(2,265,440)</b>	<b>(2,416,581)</b>	<b>183,394</b>	<b>(2,241,250)</b>	<b>(2,111,228)</b>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	2,265,440	2,416,581	5,432,126	2,241,250	2,111,228
Prior Period Adjustments (net)	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,615,520</b>	<b>\$ -</b>	<b>\$ -</b>

Source: 2020 Audited financial report and 2021 and 2022 adopted budget of the School District. This Appendix is not itself audited.

**APPENDIX - B**  
**South Jefferson CSD**

Fiscal Year Ending June 30th	Principal		Interest		Total
2021	\$	2,960,000	\$	415,518.76	\$ 3,375,518.76
2022		3,045,000		333,306.26	3,378,306.26
2023		3,145,000		226,106.26	3,371,106.26
2024		1,800,000		114,956.26	1,914,956.26
2025		1,850,000		70,806.26	1,920,806.26
2026		125,000		20,156.26	145,156.26
2027		130,000		17,431.26	147,431.26
2028		135,000		14,531.26	149,531.26
2029		135,000		11,531.26	146,531.26
2030		135,000		8,493.76	143,493.76
2031		145,000		5,156.26	150,156.26
2032		35,000		1,225.00	36,225.00
TOTALS	\$	13,640,000	\$	1,239,218.86	\$ 14,879,218.86

CURRENT DEBT OUTSTANDING

Fiscal Year Ending June 30th	2012			2014		
	Refunding of 2004 Serial Bonds			Various Capital Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,310,000	\$ 193,306	\$ 1,503,306.26	\$ 1,105,000	\$ 149,818.75	\$ 1,254,818.75
2022	1,355,000	146,856.26	1,501,856.26	1,130,000	124,956.25	1,254,956.25
2023	1,415,000	79,106.26	1,494,106.26	1,160,000	96,706.25	1,256,706.25
2024	25,000	8,356.26	33,356.26	1,185,000	67,706.25	1,252,706.25
2025	30,000	7,731.26	37,731.26	1,220,000	36,600.00	1,256,600.00
2026	30,000	6,943.76	36,943.76	-	-	-
2027	30,000	6,118.76	36,118.76	-	-	-
2028	30,000	5,218.76	35,218.76	-	-	-
2029	30,000	4,318.76	34,318.76	-	-	-
2030	30,000	3,381.26	33,381.26	-	-	-
2031	35,000	2,406.26	37,406.26	-	-	-
2032	35,000	1,225.00	36,225.00	-	-	-
TOTALS	\$ 4,355,000	\$ 464,968.86	\$ 4,819,968.86	\$ 5,800,000	\$ 475,787.50	\$ 6,275,787.50

Fiscal Year Ending June 30th	2015			2016		
	Various Capital Improvements			Various Capital Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 460,000	\$ 50,081.25	\$ 510,081.25	\$ 85,000	\$ 22,312.50	\$ 107,312.50
2022	470,000	40,881.25	510,881.25	90,000	20,612.50	110,612.50
2023	480,000	31,481.25	511,481.25	90,000	18,812.50	108,812.50
2024	495,000	21,881.25	516,881.25	95,000	17,012.50	112,012.50
2025	505,000	11,362.50	516,362.50	95,000	15,112.50	110,112.50
2026	-	-	-	95,000	13,212.50	108,212.50
2027	-	-	-	100,000	11,312.50	111,312.50
2028	-	-	-	105,000	9,312.50	114,312.50
2029	-	-	-	105,000	7,212.50	112,212.50
2030	-	-	-	105,000	5,112.50	110,112.50
2031	-	-	-	110,000	2,750.00	112,750.00
2032	-	-	-	-	-	-
TOTALS	\$ 2,410,000	\$ 155,687.50	\$ 2,565,687.50	\$ 1,075,000	\$ 142,775.00	\$ 1,217,775.00

**MATERIAL EVENT NOTICES**

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

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

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

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

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

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

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

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

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

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

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



**SOUTH JEFFERSON CENTRAL SCHOOL DISTRICT  
JEFFERSON, LEWIS AND OSWEGO COUNTIES, NEW YORK**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2020**

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

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# STACKEL & NAVARRA, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Education  
South Jefferson Central School District  
Adams, New York

## Independent Auditors' Report

### **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 South Jefferson Central School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

# STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

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

## **Basis for Modified Opinion on General Fund**

As discussed in Note 15 of the financial statements, management has adopted a policy of recording pension expense in the General Fund when paid. Accounting principles generally accepted in the United States of America require that pension expense be recorded in the period when incurred. For the year ended June 30, 2020, General Fund expenses are overstated by \$195,333, liabilities are understated by \$1,152,553, and fund balance is overstated by \$1,152,553.

## **Modified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Modified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of South Jefferson Central School District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified 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 other than the General Fund, and the aggregate remaining fund information of South Jefferson Central School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of funding progress - other post-employment benefits- last 3 fiscal years, the schedule of revenue, expenditures and changes in fund balance – budget and actual – general fund, the schedules of District contributions – NYSTRS & NYSERS pension plans – last 6 fiscal years, and the schedules of District’s proportionate share of the net pension liability – NYSTRS & NYSERS pension plans – last 6 fiscal years on pages 4-15 and 61-65 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.

# STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Jefferson 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 project expenditures – capital projects fund and net investment in capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of change from adopted budget to final budget and the real property tax limit – general fund, schedule of project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of South Jefferson Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Jefferson Central School's internal control over financial reporting and compliance.

*Stackel & Navarra, CPA, PC*

Watertown, NY  
October 12, 2020

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The following is a discussion and analysis of South Jefferson Central School District's financial performance for the fiscal year ended June 30, 2020. 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. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the school district.

### **School District Overview and Highlights**

The school district is located in the northern tier of the state, approximately 45 miles from the Canadian border and employs approximately 350 full and part time professional and support staff. These employees are organized into three collective bargaining units (teaching staff, support staff, and administration). All agreements are set to expire on June 30, 2022.

The school district has continued to maximize sources of grants and aid from Federal and New York State sources, resulting in an average tax rate of \$11.533781 dollars of assessed value over the ten towns and three counties that comprise the district. In general, taxpayers are content with the district; budgets have been adopted with consistent tax levy increases while school events are always a popular attraction.

### **OVERVIEW OF FINANCIAL STATEMENTS**


This annual report consists of three parts: Management's Discussion and Analysis (MD & A), 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 (Supplemental Schedule SS-2) that further explains and supports the financial statements with a comparison of the school district's budget and actual for the year.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

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.

<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	<b>Fund Financial Statements</b>		
	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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, i.e. scholarships programs and student activities' monies
<b>Required Financial Statements</b>	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Fiduciary Net Assets Statement of Changes in Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of asset/deferred outflows of resources/liability/deferred inflows of resources information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available 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
<b>Type of Inflow/Outflow Information</b>	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	Additions and deductions during the year, regardless of when cash is received or paid

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

### **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 it has changed. The net position, the difference between the school district's assets and liabilities, is one way to measure the school district's financial health.

- Over time, increases or decreases in the school district's net position can be 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 Statement of Activities depicts most of the school's basic services. Entitled *Governmental Activities*, they include regular and special education services, pupil transportation, general support, 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).



South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The district has two kinds of funds:

- 1.) 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.
- 2.) Fiduciary Funds:** The school district is the trustee, or fiduciary, for assets that belong to others, such as 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**

The 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 \$49,773,947 at the close of the most recent fiscal year, a decrease of \$3,964,029 from \$53,737,976. The negative net position is largely due to the required liability reporting mandated by GASB 75 regarding Other Postemployment Benefits Payable (OPEB). GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, resulting in a \$46,115,428 increase to the District's liability in 2018. The valuation methodology of Net OPEB Obligation has been modified to report the entire unfunded liability of OPEB obligations. GASB 75 is further discussed in the notes to the financial statements.

The largest portion of the school district's net assets reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The school district used 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.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

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**

	<u>2018-2019</u>	<u>2019-2020</u>
<b><u>ASSETS</u></b>		
Current and other assets	\$ 9,056,420	\$ 11,072,314
Capital assets, net	<u>40,311,574</u>	<u>44,987,695</u>
<b>Total Assets</b>	<b><u>\$ 49,367,994</u></b>	<b><u>\$ 56,060,009</u></b>
<b><u>DEFERRED OUTFLOWS OF</u></b>		
<b><u>RESOURCES</u></b>	<b><u>\$ 12,622,432</u></b>	<b><u>\$ 19,265,419</u></b>
<b><u>LIABILITIES</u></b>		
Current liabilities	\$ 6,752,578	\$ 13,216,629
Unearned Revenue	4,198	24,619
Long-term liabilities	<u>99,653,806</u>	<u>109,415,003</u>
<b>Total Liabilities</b>	<b><u>\$ 106,410,582</u></b>	<b><u>\$ 122,656,251</u></b>
<b><u>DEFERRED INFLOWS OF</u></b>		
<b><u>RESOURCES</u></b>	<b><u>\$ 9,317,820</u></b>	<b><u>\$ 2,443,124</u></b>
<b><u>NET POSITION</u></b>		
Invested in capital assets net of related debt	\$ 18,945,214	\$ 20,690,355
Restricted	328,511	397,646
Unrestricted	<u>(73,011,701)</u>	<u>(70,861,948)</u>
<b>Total Net Position</b>	<b><u>\$ (53,737,976)</u></b>	<b><u>\$ (49,773,947)</u></b>

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents and state and federal aid receivable.

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.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

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.

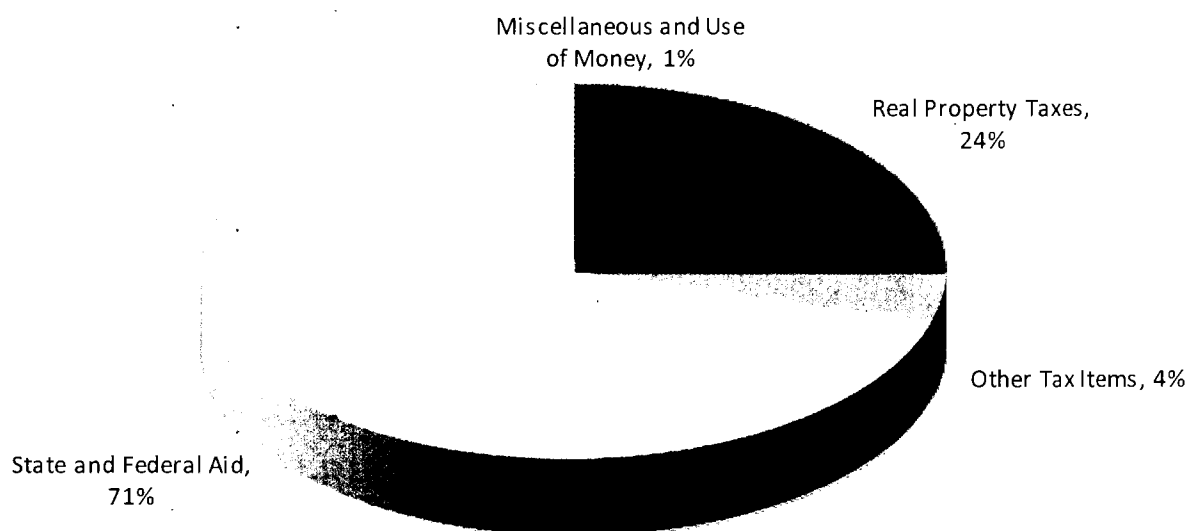
**Condensed Statement of Activities**

<b>Revenues</b>	<b>2018-2019</b>	<b>2019-2020</b>
Program Revenues		
Charges for services	\$ 429,390	\$ 336,185
Operating grants	2,102,975	7,567,419
Capital grants	221,799	33,353
General Revenues		
Property and other tax items	7,676,316	7,931,903
Use of money and property	64,581	82,444
Sale of property and compensation for loss	8,739	5,075
Federal sources	19,787	3,588
State sources	24,387,988	20,416,007
Other	269,812	318,555
<b>Total Revenues</b>	<b><u>\$ 35,181,387</u></b>	<b><u>\$ 36,694,529</u></b>
<b>Expenses</b>		
General Support	\$ 3,779,847	\$ 4,524,846
Instruction	25,661,867	23,830,413
Pupil Transportation	2,974,745	2,686,959
Debt Service	698,245	727,422
School Lunch Program - Cost of Food Sales	1,156,117	960,860
<b>Total Expenses</b>	<b><u>\$ 34,270,821</u></b>	<b><u>\$ 32,730,500</u></b>
<b>Change in Net Position</b>	<b><u>\$ 910,566</u></b>	<b><u>\$ 3,964,029</u></b>

The Statement of Activities includes the activity of the Special Aid funds, which are comprised of a number of state and federal grant programs. The school lunch fund, also known as the cafeteria fund, is included here as well. It is designed to be self-supporting, with revenues nearly matching expenditures. For many years prior to 2012 school lunch revenues exceed expenses; however, thereafter the program experienced a significant decrease in the fund balance. For the first time since 2013, the School Lunch Fund revenues exceeded expenditures, primarily due to the COVID-19 shutdown and the USDA initiative to provide availability of free meals to children and reimburse districts at the New York Free Lunch Rate. Finally, the statements also include the related debt service funds and the capital projects fund. These are also discussed later.

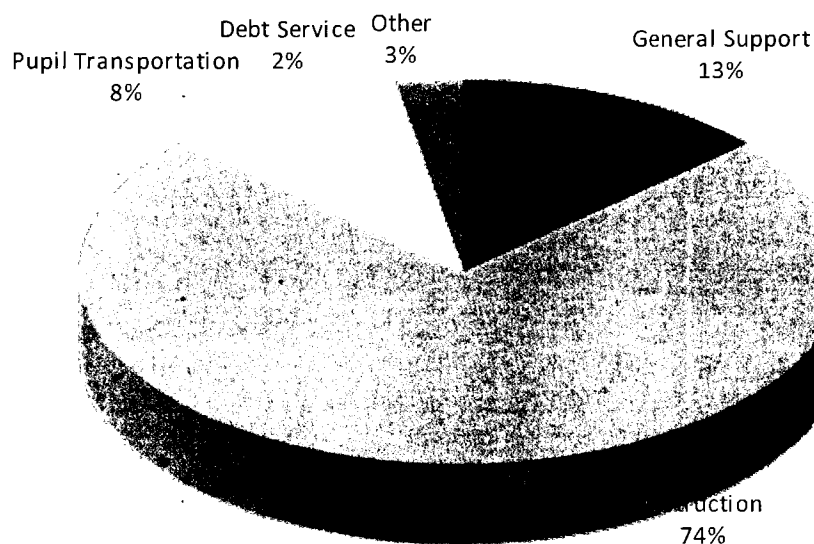
South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

### General Revenues for Year Ended 6/30/20



The school district is heavily dependent on both state and federal aid for its funding. State aid and the federal grants combined account for 75% of total revenues – consistent with prior year.

### Expenses for Year Ended 6/30/20



South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

**General Fund Budgetary Highlights**

The school district's adjusted budget for the 2019-2020 school year was \$36,290,406. Actual expenditures totaled \$33,702,525 which includes transfers out of \$3,507,419, for a favorable variance of \$2,479,139 (including \$108,742 encumbered and carried into the next year as an adjustment to the 2020-2021 budget). The schedule below shows, in general terms, how the actual expenditures are distributed and compared to final budgeted appropriations:

Results vs. Budget (in thousands of dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Local Sources	\$ 8,150	\$ 8,218	\$ 8,399	\$ 181
State Sources	25,656	25,656	25,455	(201)
Federal Sources	-	-	4	4
Transfers from other funds	-	-	28	28
Total	<u>\$ 33,806</u>	<u>\$ 33,874</u>	<u>\$ 33,886</u>	<u>\$ 12</u>
Expense:				
General Support	\$ 4,391	\$ 4,460	\$ 3,787	\$ 673
Instruction	16,186	16,307	15,387	920
Pupil Transportation	2,001	2,049	1,541	508
Employee Benefits	9,227	9,194	8,845	349
Debt Service	722	737	635	102
Transfers to Other Funds	3,543	3,543	3,507	36
Total	<u>\$ 36,070</u>	<u>\$ 36,290</u>	<u>\$ 33,702</u>	<u>\$ 2,588</u>

The school district under-expended its budget by \$2,479,139. As is the district's practice and budgetary control and as demonstrated in the financial statements, all functional budget codes were under-expended.

The school district's general fund receives its funding from many sources. The schedule above also depicts the actual revenues relative to the final budgeted revenues.

The district attempts to facilitate a conservative prediction of revenues; district officials show caution when building budgets. Due to the tenuous nature of predicting state aid, the district strategy is to underestimate all revenues; this year the district received more than they budgeted. The net variance was a positive \$12,094 for total revenues and other sources in the 2019-2020 school year.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

## **ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

### **Financial position (year to year) – General Fund**

The General Fund, fund balance increased to \$5,615,520 on June 30, 2020. This was an increase of \$183,394. The fund balance was as follows:

June 30, 2020	\$5,615,520
June 30, 2019	\$5,432,126
June 30, 2018	\$4,490,001
June 30, 2017	\$4,015,953
June 30, 2016	\$3,476,243

The attempt on the part of the district to maintain the size of the fund balance from changing significantly has been reasonably successful: fortunately, the fund balance increased \$183,394. The increase in the 2019-20 year reflects the positive variance in revenues coupled with strict fiscal controls on expenditures. This provides the taxpayers with the necessary fiscal reassurances to continue to support the budgets. The District was able to establish a Teacher Retirement System reserve in the amount of \$221,670 in 2019.

### **Capital Projects Fund**

The Capital Projects Fund shows a negative fund balance of (\$8,891,062). The Capital Projects Fund continues to show a negative fund balance as a result of the issuance of short-term bus and capital project bond anticipation notes (BAN). The outstanding BAN on buses represents (\$2,082,340) of the total fund balance of (\$8,891,062) in the Capital Projects Fund.

Because the district uses short term financing to purchase buses (to more closely match state aid streams) and uses short term financing for capital projects, the capital fund will continue to show deficit fund balances until permanent financing is secured.

### **School Food Service Fund**

The School Food Service Fund balance showed a net increase of \$101,694, bringing the fund balance as of June 30, 2020, to \$146,986.

It should be noted that the fund had an exceptional year regarding revenues. During the COVID-19 shutdown, the United States Department of Agriculture initiated a "summer meal program" to allow our District to offer free meals to all children under 18. The District received the child nutrition state and federal free/reduced meal reimbursement rate. The program was successful largely due to the District's efforts to deliver meals to households. The availability of free meals was a large factor in our profit margin. The department also made concentrated efforts to cut costs and utilize government commodities inventory by providing nutritious scratch cooked meals. Expenses in this fund largely reflect food costs, employee wages, and fringe benefits. While the General Fund covers some of the fringe benefits of the employees that work in that fund, a \$32,100 transfer was budgeted from the General Fund to the School Food Service Fund during the 2019-2020 school year. Additionally, the General Fund also reimburses the School Food Service Fund for all outstanding student meal charges at year end in the amount of \$2,020

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

which is down \$1,973 from prior year. The District maintains its goal to eventually sustain the School Food Service fund without a transfer from General Fund. In an effort to improve participation, School Food Service is evaluating successful menu items, trialing new meals, and concentrating on a more positive dining room experience. Continued evaluation of food costs, implementing more product cross utilization, detailed menu planning and encouraging an increase in staff attendance with a positive environment are priorities for the department and will help the long-term goal of self-sustainability.

### Special Aid Funds

Federal and State grants provide funding for specific purposes ranging from reading improvement to servicing the needs of students with disabilities. The chart below indicates the 2018-2019 and the 2019-2020 revenues and corresponding expenditures for each grant that is outlined in the audit report. These grants are included in a Schedule of Expenditures of Federal Awards. All federal and state grants require the filing of an original budget, a budget amendment (if necessary), and a final cost report at the end of the project. Final cost reports have been filed and approved by the State Education Department for each grant.

	Purpose	2018-2019	2019-2020
ESSA Title I	Basic Grant	412,992	411,633
ESSA Title IIA	Supporting Effective Instruction	77,692	72,312
ESSA Title IV	Student Support & Academic Enrich	30,038	30,688
IDEA	Handicapped Programs	425,727	426,386
Other Federal Aid and Misc.	Impact Aid and DoDEA achievement at military connected schools	19,787	3,588
	<b>Total Federal Aid</b>	<b>966,236</b>	<b>944,607</b>

### CAPITAL ASSET AND DEBT ADMINISTRATION

The financial statements provide a picture of capital assets over time. These include land, buildings, and equipment and furniture. In response to the auditor's management letter from several years ago, the district contracted with the firm of Industrial Appraisal to take a physical inventory of all district assets; a tagging inventory system was also among the services that were contracted. This effort was completed in late Fall, 2006. As a result, the estimated costs of fixed assets acquired prior to 2002 have been adjusted. The original cost of fixed assets has been increased by construction in progress, the purchase of buses, and the acquisition of other fixed assets. Accumulated depreciation has been changed according to the sale of certain buses and the normal depreciation schedule.

	Capital Assets (Net of Depreciation)	
	<u>6/30/2019</u>	<u>6/30/2020</u>
Land	\$ 345,900	\$ 345,900
Construction in progress	1,165,706	6,905,311
Buildings	35,925,981	34,588,071
Furniture, vehicles, and equipment	<u>2,873,987</u>	<u>3,148,413</u>
	<u>\$ 40,311,574</u>	<u>\$ 44,987,695</u>

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

Additions to capital assets totaled \$6,686,911.

**Long-Term Debt**

When favorable interest rates provide a significant savings, district officials will consider refunding its serial bonds. The current capital project is estimated to close for permanent financing in 2021-2022 the schedule will reflect those borrowings when secured.

The table below represents the bond payment schedule.

<b>Fiscal Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$2,960,000	\$415,518	\$3,375,518
2022	\$3,045,000	\$333,306	\$3,378,306
2023	\$3,145,000	\$226,105	\$3,371,105
2024	\$1,800,000	\$114,956	\$1,914,956
2025	\$1,850,000	\$70,806	\$1,920,806
5 subsequent years	\$660,000	\$72,144	\$732,144
4 subsequent years	\$180,000	\$6,381	\$186,381
<b>Totals</b>	<b>\$13,640,000</b>	<b>\$1,239,216</b>	<b>\$14,879,216</b>

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

The district's annual audit as of June 30, 2020, indicate that it is in sound financial condition at this point. Management believes this audit confirms and continues that trend. However, what is concerning is that New York State Department of Budget (NYSDOB) withheld 20% of state aid and federal aid payments in the amount of \$518,496 from the 2019-2020 fiscal year. This amount is considered deferred inflow of resources in the General and Special Aid funds at this time.

The difficulty for future budgets for South Jefferson in its rural setting is magnified by the uncertainty of the fiscal condition of New York State, the large and seemingly unfair state aid reductions, and the continuing impact of the new tax cap legislation. District officials continue to comply with the tax cap legislation; voters approved the 2020-2021 budget with an increase in its local levy by 3.38%, which represented the allowable increase under the law without asking for a supermajority vote.

State Aid reductions, the continuation of the tax cap legislation, rising pension costs, unpredictable health care costs, and continuing threat of Federal sequestration resting on the non-defense discretionary portion of the federal budget will continue to put pressure on the district's budget. Further, the 20-21 enacted state budget froze foundation aid and created a pandemic reduction adjustment that equaled the Federal CARES Act support. Additionally, included in the enacted state budget is the mechanism in which NYSDOB can reduce budgeted school district aid when state revenues decrease and /or state expenses increase beyond certain levels. The upcoming budget year will be as or more challenging than the last, as the State announced a \$14.5 billion general fund revenue decline and state officials expect a slowing economy. What the impact on school aid will be remains to be determined.



South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM**

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 following district officials at the address below.

Scott Slater, Superintendent of Schools  
South Jefferson Central School District  
P.O. Box 10  
Adams, New York 13605

Phone: 315-583-6104  
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**South Jefferson Central School District**  
**Statement of Net Position**  
**Governmental Activities**  
**June 30, 2020**

**ASSETS**

Cash		
Unrestricted	\$ 5,433,277	
Restricted	397,646	
Accounts receivable	227	
Due from fiduciary fund	197	
State and Federal aid receivable	3,398,035	
Prepaid expenses	32,783	
Inventories	18,108	
Utility deposit	28,263	
Net pension asset - proportionate share	1,763,778	
Capital assets, net	<u>44,987,695</u>	
Total Assets		<u>\$ 56,060,009</u>
Deferred outflows of resources		
Pensions	\$ 9,108,217	
OPEB (GASB 75)	<u>10,157,202</u>	
Total deferred outflows of resources		<u>\$ 19,265,419</u>

**LIABILITIES**

Payables		
Accounts payable	\$ 56,608	
Accrued liabilities	470,018	
Unearned revenue	24,619	
Due to teachers' retirement system	1,071,441	
Due to employees' retirement system	151,237	
Due to other governments	67,418	
Bond anticipation notes payable	11,399,907	
Long-term liabilities		
Due and payable within one year		
Employees' retirement system	89,159	
Serial bonds	2,960,000	
Due and payable after one year		
Employees' retirement system	279,634	
Serial bonds	10,680,000	
Compensated absences payable	193,714	
Other postemployment benefits payable	91,961,124	
Net pension responsibility - proportionate share	<u>3,251,372</u>	
Total Liabilities		<u>\$ 122,656,251</u>
Deferred inflows of resources		
Pensions		<u>\$ 2,443,124</u>

**NET POSITION**

Net investment in capital assets	\$ 20,690,355	
Restricted	397,646	
Unrestricted (Deficit)	<u>(70,861,948)</u>	
Total Net Position		<u>\$ (49,773,947)</u>

**South Jefferson Central School District**  
**Statement of Activities and Changes in Net Position**  
**Governmental Activities**  
**For the Year Ended June 30, 2020**

		Program Revenues			Net (Expense)
	Expenses	Charges for	Operating	Capital	Revenue and
		Services	Grants	Grants	Changes in
					Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 4,524,846	\$ -	-	-	\$ (4,524,846)
Instruction	23,830,413	149,286	6,870,965	33,353	(16,776,809)
Pupil transportation	2,686,959	-	-	-	(2,686,959)
Debt service	727,422	-	-	-	(727,422)
School food service	960,860	186,899	696,454	-	(77,507)
Total Functions and Programs	<u>\$ 32,730,500</u>	<u>\$ 336,185</u>	<u>\$ 7,567,419</u>	<u>\$ 33,353</u>	<u>(24,793,543)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					6,860,158
Other tax items					1,071,745
Use of money and property					82,444
Sale of property and compensation for loss					5,075
Miscellaneous					240,949
Federal sources					3,588
State sources					20,416,007
Premium on BAN					<u>77,606</u>
Total General Revenues					<u>28,757,572</u>
Change in Net Position					3,964,029
Total Net Position - Beginning of year					<u>(53,737,976)</u>
Total Net Position - End of year					<u>\$ (49,773,947)</u>

**South Jefferson Central School District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2020**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 5,125,376	\$ -	\$ 199,438	\$ -	\$ 108,463	\$ 5,433,277
Restricted	397,646	-	-	-	-	397,646
Receivables						
Accounts receivable	227	-	-	-	-	227
Due from other funds	1,022,861	-	122,374	115,305	1,628,596	2,889,136
State and Federal aid	2,412,719	857,191	94,772	-	33,353	3,398,035
Utility deposit	28,263	-	-	-	-	28,263
Inventories	-	-	18,108	-	-	18,108
Prepaid expenses	32,783	-	-	-	-	32,783
Total Assets	<u>\$ 9,019,875</u>	<u>\$ 857,191</u>	<u>\$ 434,692</u>	<u>\$ 115,305</u>	<u>\$ 1,770,412</u>	<u>\$ 12,197,475</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 48,742	\$ 3,732	\$ -	\$ -	\$ 4,134	\$ 56,608
Accrued liabilities	217,423	-	3,144	-	-	220,567
Deferred revenue	-	4,603	20,016	-	-	24,619
Due to other funds	1,775,642	848,856	264,441	-	-	2,888,939
Due to other governments	67,313	-	105	-	-	67,418
Due to teachers' retirement system	61,840	-	-	-	-	61,840
Due to employees' retirement system	8,285	-	-	-	-	8,285
Bond anticipation notes payable	742,567	-	-	-	10,657,340	11,399,907
Total Liabilities	<u>2,921,812</u>	<u>857,191</u>	<u>287,706</u>	<u>-</u>	<u>10,661,474</u>	<u>14,728,183</u>
Deferred Inflows of Resources						
State aid	482,543	35,953	-	-	-	518,496
<b>FUND BALANCES</b>						
Nonspendable	32,783	-	18,108	-	-	50,891
Restricted	282,341	-	-	115,305	-	397,646
Assigned	2,349,992	-	128,878	-	-	2,478,870
Unassigned	2,950,404	(35,953)	-	-	(8,891,062)	(5,976,611)
Total Fund Balances	<u>5,615,520</u>	<u>(35,953)</u>	<u>146,986</u>	<u>115,305</u>	<u>(8,891,062)</u>	<u>(3,049,204)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,019,875</u>	<u>\$ 857,191</u>	<u>\$ 434,692</u>	<u>\$ 115,305</u>	<u>\$ 1,770,412</u>	<u>\$ 12,197,475</u>

See notes to financial statements.

**South Jefferson Central School District**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**For the Year Ended June 30, 2020**

	Total Governmental Funds	Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted	\$ 5,433,277	\$ -	\$ -	\$ 5,433,277
Restricted	397,646	-	-	397,646
Accounts receivable	227	-	-	227
Due from other funds	2,889,136	-	(2,888,939)	197
State & federal aid receivable	3,398,035	-	-	3,398,035
Utility deposit	28,263	-	-	28,263
Prepaid expenses	32,783	-	-	32,783
Inventories	18,108	-	-	18,108
Net pension asset - proportionate share	-	1,763,778	-	1,763,778
Land, buildings and equipment (net)	-	44,987,695	-	44,987,695
Total Assets	<u>\$ 12,197,475</u>	<u>\$ 46,751,473</u>	<u>\$ (2,888,939)</u>	<u>\$ 56,060,009</u>
Deferred outflows of resources				
Pensions	\$ -	\$ 9,108,217	\$ -	\$ 9,108,217
OPEB (GASB 75)	-	10,157,202	-	10,157,202
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 19,265,419</u>	<u>\$ -</u>	<u>\$ 19,265,419</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 56,608	\$ -	\$ -	\$ 56,608
Accrued liabilities	220,567	249,451	-	470,018
Unearned revenue	24,619	-	-	24,619
Due to teachers' retirement system	61,840	1,009,601	-	1,071,441
Due to employees' retirement system	8,285	511,745	-	520,030
Due to other governments	67,418	-	-	67,418
Due to other funds	2,888,939	-	(2,888,939)	-
Bond anticipation notes payable	11,399,907	-	-	11,399,907
Compensated absences payable	-	193,714	-	193,714
Serial bonds payable	-	13,640,000	-	13,640,000
Net OPEB obligation	-	91,961,124	-	91,961,124
Net pension liability - proportionate share	-	3,251,372	-	3,251,372
Total Liabilities	<u>\$ 14,728,183</u>	<u>\$110,817,007</u>	<u>\$ (2,888,939)</u>	<u>\$122,656,251</u>
Deferred inflows of resources				
State aid	\$ 518,496	\$ (518,496)	\$ -	\$ -
Pensions	-	2,443,124	-	2,443,124
Total deferred inflows of resources	<u>\$ 518,496</u>	<u>\$ 1,924,628</u>	<u>\$ -</u>	<u>\$ 2,443,124</u>
<b>FUND BALANCE/NET POSITION</b>				
Total Fund Balance/Net Position	<u>(3,049,204)</u>	<u>(46,724,743)</u>	<u>-</u>	<u>(49,773,947)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	<u>\$ 12,197,475</u>	<u>\$ 66,016,892</u>	<u>\$ (2,888,939)</u>	<u>\$ 75,325,428</u>

**South Jefferson Central School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2020**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 6,860,158	\$ -	\$ -	\$ -	\$ -	\$ 6,860,158
Other tax items	1,071,745	-	-	-	-	1,071,745
Charges for services	149,286	-	-	-	-	149,286
Use of money and property	71,330	-	145	10,969	-	82,444
Sale of property and compensation for loss	5,715	-	-	-	-	5,715
Miscellaneous	240,950	27,595	-	-	-	268,545
State sources	25,412,744	344,547	26,022	-	33,353	25,816,666
Federal sources	3,588	941,019	621,261	-	-	1,565,868
Medicaid reimbursement	42,570	-	-	-	-	42,570
Surplus food	-	-	49,171	-	-	49,171
Sales - school lunch	-	-	186,899	-	-	186,899
<b>Total Revenues</b>	<b>33,858,086</b>	<b>1,313,161</b>	<b>883,498</b>	<b>10,969</b>	<b>33,353</b>	<b>36,099,067</b>
<b>EXPENDITURES</b>						
General support	3,787,128	-	415,061	-	-	4,202,189
Instruction	15,386,679	1,202,201	-	-	-	16,588,880
Pupil transportation	1,541,490	15,913	-	-	-	1,557,403
Employee benefits	8,844,602	117,537	28,608	-	-	8,990,747
Debt service						
Principal	554,020	-	-	2,865,000	-	3,419,020
Interest	81,187	-	-	515,389	-	596,576
Cost of sales	-	-	370,235	-	-	370,235
Capital outlay	-	-	-	-	6,590,580	6,590,580
<b>Total Expenditures</b>	<b>30,195,106</b>	<b>1,335,651</b>	<b>813,904</b>	<b>3,380,389</b>	<b>6,590,580</b>	<b>42,315,630</b>
Excess (Deficiency) of Revenues Over Expenditures	3,662,980	(22,490)	69,594	(3,369,420)	(6,557,227)	(6,216,563)
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in	27,833	-	32,100	3,375,319	100,000	3,535,252
Operating transfers (out)	(3,507,419)	(13,463)	-	(14,370)	-	(3,535,252)
Proceeds of debt	-	-	-	-	554,020	554,020
Premium on BAN	-	-	-	77,606	-	77,606
<b>Total Other Sources (Uses)</b>	<b>(3,479,586)</b>	<b>(13,463)</b>	<b>32,100</b>	<b>3,438,555</b>	<b>654,020</b>	<b>631,626</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	183,394	(35,953)	101,694	69,135	(5,903,207)	(5,584,937)
Fund Balances - Beginning of year	5,432,126	-	45,292	46,170	(2,987,855)	2,535,733
Fund Balances - End of year	\$ 5,615,520	\$ (35,953)	\$ 146,986	\$ 115,305	\$ (8,891,062)	\$ (3,049,204)

**South Jefferson Central School District**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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

Net Change in Fund Balances - Total Governmental Funds			\$ (5,584,937)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of related losses on disposal of capital assets.			
	Capital outlays	\$ 6,686,271	
	Depreciation expense	<u>2,010,150</u>	4,676,121
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.			
			3,505,353
Proceeds of debt is recorded as an other financing source for governmental funds, but it is not recorded in the Statement of Activities.			
			(554,020)
(Increases) decreases in accrued compensated absences 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.			
			18,819
On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.			
			1,872,391
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.			
	Teachers' Retirement System	62,602	
	Employees' Retirement System	<u>(615,283)</u>	(552,681)
Pension expense not recorded in fund statements. Adjustment in pension expense in the Statement of Activities to adjust to GAAP.			
			195,333
State aid payments that have been delayed indefinitely are not recorded in fund statements. This aid is recorded as revenue in the statement of activities.			
			518,496
Accrued interest expense is recorded in the Statement of Activities but not in the governmental funds. The decrease in accrued interest is reported in expense.			
			<u>(130,846)</u>
Change in net position of governmental activities			<u>\$ 3,964,029</u>

**South Jefferson Central School District**  
**Statement of Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Cash	\$ 15,893	\$ 218,229
Total Assets	<u>\$ 15,893</u>	<u>\$ 218,229</u>
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ 197
Due to other governments	-	517
Extra-classroom activity balances	-	217,515
Total Liabilities	<u>\$ -</u>	<u>\$ 218,229</u>
<b>NET POSITION</b>		
Reserved for scholarships	<u>\$ 15,893</u>	<u>\$ -</u>

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

	Private Purpose Trusts
<b>ADDITIONS</b>	
Gifts and contributions	\$ 11,591
Investment earnings	18
Total Additions	<u>11,609</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	14,696
Transfer to NNY Community Foundation	4,587
Total Deductions	<u>19,283</u>
Change in Net Position	(7,674)
Net Position - Beginning of year	<u>23,567</u>
Net Position - End of Year	<u>\$ 15,893</u>



**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**Note 1 – Summary of accounting policies:**

The financial statements of South Jefferson 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:

A) 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 seven 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.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom 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.

B) Joint venture:

The District is a component district in 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 \$3,917,743 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,941,326.

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

C) Basis of presentation:

i) 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.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

The Statement of Activities presents a comparison between direct expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Funds statements:

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

The District reports the following major 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. The Special Revenue Funds classified as major are:

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

School Food Service: Use to account for transactions of the lunch and breakfast programs.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment 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.

There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. A scholarship is an example of a Private-Purpose Trust Fund. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

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D) Measurement focus and basis of accounting:

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

The 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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, State aid, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from State Aid is recognized in the fiscal year it is appropriated by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year as it matches the liquidation of related obligations.

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

E) Property taxes:

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

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Uncollected real property taxes are subsequently enforced by the Counties in which the District is located. The Counties pay an amount representing uncollected real property taxes transmitted to the counties for enforcement to the District no later than the following April 1.

F) 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 associated legal requirements, many of which are described elsewhere in these Notes.

G) Inter-fund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund 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 inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund 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 9 for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

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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/expenditures 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.

I) **Cash and Investments**

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

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

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

J) **Accounts Receivable:**

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) **Inventories and prepaid items:**

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial

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statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

L) Other assets/restricted assets:

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

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.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings	\$ 50,000	Straight line	50 years
Land improvements	\$ 25,000	Straight line	20 years
Furniture, vehicles & equipment	\$ 5,000	Straight line	5 to 20 years



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N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three 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 period 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 the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district wide Statements of Net Position. This represents the effect of the net change in the actual and expected experience.

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 one item that qualifies for reporting in this category. This 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 liability (ERS System) and difference during the measurements periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O) Pension Obligations

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

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement

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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 Statute. The New York State TRS issued a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information 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](http://www.nystrs.org).

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer retirement system. The System provides retirement benefits, as well as, death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). 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](http://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.

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

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

	<u>ERS</u>	<u>TRS</u>
2019-2020	\$ 528,027	\$ 1,263,133
2018-2019	\$ 481,103	\$ 1,149,978
2017-2018	\$ 495,713	\$ 1,337,445

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

Pension Liabilities, Pension Expense (Credit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported the following asst/(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, 2020 for ERS and June 30, 2019 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.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,251,372)	\$ 1,763,778
District's portion of the Plan's total net pension asset/(liability)	0.0122783%	0.0678900%

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For the year ended June 30, 2020, the District recognized its proportionate share of pension expense of \$1,148,222 for ERS and the actuarial value \$1,203,447 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 191,356	\$ 1,195,267	\$ -	\$ 131,158
Changes of assumptions	65,467	3,332,013	56,530	812,439
Net difference between projected and actual earnings on pension plan investments	1,666,811	-	-	1,414,459
Changes in proportion and differences between the District's contributions and proportionate share of contributions	119,421	122,111	28,538	-
District's contributions subsequent to the measurement date	<u>142,952</u>	<u>2,272,819</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,186,007</u>	<u>\$ 6,922,210</u>	<u>\$ 85,068</u>	<u>\$ 2,358,056</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2021 for ERS and June 30, 2020 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
Year ended:		
2020	\$ -	\$ 828,315
2021	340,051	80,989
2022	490,812	825,423
2023	622,781	545,685
2024	504,343	67,046
Thereafter	-	(56,124)

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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 asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.20%	Differ based on service
Decrement tables	April 1, 2010- March 31, 2015	July 1, 2019 - June 30, 2014
Inflation rate	2.50%	2.20%
Projected cost of living adjustments	1.30%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. 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-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 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, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of

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return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2020</u>	<u>2020</u>
Asset class:		
Domestic equities	36%	4.05%
International equities	14%	6.15%
Private equity	10%	6.75%
Real estate	10%	4.95%
Absolute return strategies (1)	2%	3.25%
Opportunistic portfolio	3%	4.65%
Real assets	3%	5.95%
Bonds and mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-indexed bonds	<u>4%</u>	0.50%
Total	<u>100%</u>	

\*Real rates of return are net of the long-term inflation assumption of 2.5% for 2020.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equities and international equities, respectively.

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<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2019</u>	<u>2019</u>
Asset class:		
Domestic equities	33%	6.30%
International equities	16%	7.80%
Global equities	4%	7.20%
Real estate	11%	4.60%
Private equities	8%	9.90%
Domestic fixed income securities	16%	1.30%
Global fixed income securities	2%	0.90%
Private debt	1%	6.50%
Real estate debt	7%	2.90%
High-yield fixed income securities	1%	3.60%
Short-term	<u>1%</u>	0.30%
Total	<u>100%</u>	

\*Real rates of return are net of the long-term inflation assumption of 2.2% for 2019.

*Discount Rate*

The discount rate used to calculate the total pension asset/(liability) was 6.8% for ERS and 7.1% 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension 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) as of June 30, 2020 calculated using the discount rate of 6.8% for ERS and 7.1% 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

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point lower (5.8% for ERS and 6.1% for TRS) or 1 percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease	Current Assumption	1% Increase
<b><u>ERS</u></b>	<b><u>(5.8%)</u></b>	<b><u>(6.8%)</u></b>	<b><u>(7.8%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$(5,967,185)	\$(3,251,372)	\$ (750,096)
	1% Decrease	Current Assumption	1% Increase
<b><u>TRS</u></b>	<b><u>(6.1%)</u></b>	<b><u>(7.1%)</u></b>	<b><u>(8.1%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$(7,961,510)	\$ 1,763,778	\$ 9,922,197

*Changes of Assumptions*

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

*Collective Pension Expense*

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2020 is \$1,475,823 for ERS and \$1,006,685 for TRS.

*Payables to the Pension Plan*

For ERS, employer contributions are paid annually based on the System's fiscal year which ends March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$151,237.



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For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 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, 2020 amounted to \$1,071,441.

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

P) Unearned Credits

The District reports unearned credits on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned credits arise 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 resources, the liability for unearned credits is removed and revenue is recognized.

Q) Vested employee benefits:

Compensated absences

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

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 rated in effect at year-end.

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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.

R) Other benefits:

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

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

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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

S) 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 RANs and TANs 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

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that will actually receive the proceeds from the issuance of bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State Law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Interest paid	\$ 81,187
Less interest accrued in the prior year	(48,752)
Plus interest accrued in the current year	<u>200,204</u>
Total Expense	<u><u>\$ 232,639</u></u>

**Bond Anticipation Notes**

The following is a summary of changes in short-term debt for the year ended June 30, 2020:

Balance, July 1	\$ 4,861,360
Increases	11,399,907
Decreases	<u>(4,861,360)</u>
Balance, June 30	<u><u>\$ 11,399,907</u></u>

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

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

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U) 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 is deemed to be available for general use by the District.

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

**Non-spendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes inventory recorded in the School Food Service Fund of \$18,108 and \$32,783 in prepaid expense in the General Fund.

**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. The District has established the following restricted fund balances:

**Unemployment Insurance Payment Reserve Fund**

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

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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.

**Liability Claims and Property Loss Reserve Funds**

According to Education Law §1709(8), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the General Fund.

**Retirement Contributions Reserve Fund**

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

**Encumbrances**

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

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Restricted fund balance includes the following:

General Fund:	
Unemployment insurance	\$ 30,147
Property loss	7,050
Liability	23,474
Retirement contributions	221,670
Debt Service Fund	<u>115,305</u>
	<u>\$ 397,646</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, 2020.

**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. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$108,742. Appropriated fund balance in the General Fund amounted to \$2,241,250. Any remaining fund balance in other funds is considered assigned. The school food service fund also reports assigned fund balance of \$128,878. As of June 30, 2020, the District’s General Fund encumbrances were classified as follows:

General support	\$ 74,668
Instruction	34,074
Pupil Transportation	<u>-</u>
Total	<u>\$ 108,742</u>

**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. 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.

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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. Non-spendable 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.

**Net Position/Fund Balance**

Net Position Flow Assumption: In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

Fund Balance Flow Assumption: In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

**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 governmental fund's 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.

- A) Total fund balances of governmental funds vs. net position of governmental activities:

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

B) 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:

i) Long-term revenue and expense 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.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) 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.



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iv) 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.

v) 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 funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by 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 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. The following supplemental appropriations occurred during the year:

Additional revenue designated for specific uses totaling \$68,545.

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020.

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

**Encumbrances**

Encumbrances accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as 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.

The Capital Projects Fund has a deficit fund balance of \$8,891,062. This will be funded when the District obtains permanent financing for its current construction project and receives transportation aid for purchased buses.

The Special Aid Fund shows an unassigned fund balance deficit of \$35,953. This deficit results from revenues that are due and expected to be received in no later than 90 days. In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, this amount does not meet the availability criteria for recognition as revenue in the current period.

**Note 4 – Cash (and cash equivalents) – custodial credit, concentration of credits, interest rate, and foreign currency risks:**

**Cash**

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$5,257,046
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Restricted cash and investments represent cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash

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as of year-end includes \$282,341 restricted for various fund balance reserves in the general fund, \$218,229 restricted for extraclassroom in the fiduciary fund and \$15,893 restricted for scholarships in the fiduciary funds.

**Deposits**

Deposits are valued at cost- or cost-plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2020 all deposits were fully insured or collateralized.

**Investment and Deposit Policy**

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value

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equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principle and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

**Investment Pool**

The District participates in the Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2020 are \$3,364,214,294, which consisted of \$214,167,351 in repurchase agreements, \$2,065,434,434 in U.S. Treasury Securities, and \$1,084,612,509 in collateralized bank deposits, with various interest rate and due dates.

The amount of \$4,341,340 on deposit with NYCLASS is included as cash in the financial statements.

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Balance</u>
General	\$ 4,333,011
Capital Projects	\$ 8,329

**South Jefferson Central School District**  
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**Note 5 – Receivables:**

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollected accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
Accounts receivable	\$ 227	\$ -	\$ -	\$ -	\$ 227
State and federal aid	<u>2,412,719</u>	<u>857,191</u>	<u>94,772</u>	<u>33,353</u>	<u>3,398,035</u>
	<u>\$ 2,412,946</u>	<u>\$ 857,191</u>	<u>\$ 94,772</u>	<u>\$ 33,353</u>	<u>\$ 3,398,262</u>

District management has deemed the amounts to be fully collectible.

**Note 6 – Capital assets:**

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 345,900	\$ -	\$ -	\$ 345,900
Construction in progress	<u>1,165,706</u>	<u>5,739,605</u>	<u>-</u>	<u>6,905,311</u>
Total nondepreciable assets	<u>1,511,606</u>	<u>5,739,605</u>	<u>-</u>	<u>7,251,211</u>
Capital assets that are depreciated:				
Buildings	64,372,246	100,000	-	64,472,246
Furniture, vehicles and equipment	<u>8,794,624</u>	<u>847,306</u>	<u>(690,036)</u>	<u>8,951,894</u>
Total depreciable assets	<u>73,166,870</u>	<u>947,306</u>	<u>(690,036)</u>	<u>73,424,140</u>
Less accumulated depreciation:				
Buildings	28,446,265	1,437,910	-	29,884,175
Furniture, vehicles and equipment	<u>5,920,637</u>	<u>572,240</u>	<u>(689,396)</u>	<u>5,803,481</u>
Total accumulated depreciation	<u>34,366,902</u>	<u>2,010,150</u>	<u>(689,396)</u>	<u>35,687,656</u>
Total depreciated assets, net	<u>38,799,968</u>	<u>(1,062,844)</u>	<u>(640)</u>	<u>37,737,764</u>
Capital assets, net	<u>\$ 40,311,574</u>	<u>\$ 4,676,761</u>	<u>\$ 640</u>	<u>\$ 44,987,695</u>
Depreciation expense was charged to governmental functions as follows:				
General support		\$ 192,945		
Instruction		1,233,855		
Pupil transportation		<u>583,350</u>		
		<u>\$ 2,010,150</u>		

**South Jefferson Central School District**  
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**Note 7 – Short-term debt:**

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

	Beginning Balance	Issued	Redeemed	Ending Balance
BAN maturing 2/14/2020 at 3.00%	\$ 1,861,360	\$ -	\$ 1,861,360	\$ -
BAN maturing 2/12/2021 at 2.00%	-	2,082,340	-	2,082,340
BAN maturing 7/10/2019 at 2.50%	3,000,000	-	3,000,000	-
BAN maturing 7/9/2020 at 2.25%	-	8,575,000	-	8,575,000
BAN maturing 4/30/2021 at 1.94%	-	742,567	-	742,567
	<u>\$ 4,861,360</u>	<u>\$ 11,399,907</u>	<u>\$ 4,861,360</u>	<u>\$ 11,399,907</u>

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

Interest paid	\$ 81,187
Less interest accrued in the prior year	(48,752)
Plus interest accrued in the current year	<u>200,204</u>
Total expense	<u>\$ 232,639</u>

**Note 8 – Long-term obligations:**

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

**Serial Bonds**

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

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Noncurrent liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
Government activities:					
Bonds and notes payable:					
Serial bonds at 3% - 5%,					
Issued February 16, 2012					
Final payment due					
4/15/2032	\$ 5,605,000	\$ -	\$ 1,250,000	\$ 4,355,000	\$ 1,310,000
Serial bonds at 1% - 3%					
Issued June 19, 2014					
Final payment due					
June 15, 2025	6,880,000	-	1,080,000	5,800,000	1,105,000
Serial bonds at 1% - 2.25%,					
Issued June 18, 2015					
Final payment due					
June 15, 2025	2,860,000	-	450,000	2,410,000	460,000
Serial bonds at 2% - 2.25%,					
Issued July 28, 2016					
Final payment due					
June 15, 2031	<u>1,160,000</u>	<u>-</u>	<u>85,000</u>	<u>1,075,000</u>	<u>85,000</u>
Total bonds payable	<u>\$ 16,505,000</u>	<u>\$ -</u>	<u>\$ 2,865,000</u>	<u>\$ 13,640,000</u>	<u>\$ 2,960,000</u>
Other liabilities					
Compensated absences payable	\$ 212,533	\$ -	\$ 18,819	\$ 193,714	\$ -
Other postemployment benefits payable	81,662,384	10,298,740	-	91,961,124	-
Net pension liability - proportionate share	818,763	2,432,609	-	3,251,372	-
Due to retirement systems	<u>455,126</u>	<u>-</u>	<u>86,333</u>	<u>368,793</u>	<u>89,159</u>
Total other long-term liabilities	<u>83,148,806</u>	<u>12,731,349</u>	<u>105,152</u>	<u>95,775,003</u>	<u>89,159</u>
	<u>\$ 99,653,806</u>	<u>\$ 12,731,349</u>	<u>\$ 2,970,152</u>	<u>\$ 109,415,003</u>	<u>\$ 3,049,159</u>

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

**South Jefferson Central School District**  
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**For the Year Ended June 30, 2020**

The following is a summary of debt service requirements for bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2021	\$ 2,960,000	\$ 415,518	\$ 3,375,518
2022	3,045,000	333,306	3,378,306
2023	3,145,000	226,105	3,371,105
2024	1,800,000	114,956	1,914,956
2025	1,850,000	70,806	1,920,806
5 subsequent years	660,000	72,144	732,144
2 subsequent years	180,000	6,381	186,381
Totals	<u>\$ 13,640,000</u>	<u>\$ 1,239,216</u>	<u>\$ 14,879,216</u>

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

Interest paid	\$ 510,319
Less interest accrued in the prior year	(63,548)
Plus interest accrued in the current year	<u>49,247</u>
Total expense	<u>\$ 496,018</u>

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

\$4,570,000 of bonds outstanding are considered defeased.

**Note 9 – Interfund transactions – governmental funds:**

	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,022,861	\$ 1,775,642	\$ 27,833	\$ 3,507,419
Special Aid	-	848,856	-	13,463
School Lunch	122,374	264,441	32,100	-
Debt Service	115,305	-	3,375,319	14,370
Capital Projects	1,628,596	-	100,000	-
Total Governmental Funds	<u>2,889,136</u>	<u>2,888,939</u>	<u>3,535,252</u>	<u>3,535,252</u>
Fiduciary	-	197	-	-
Total	<u>\$ 2,889,136</u>	<u>\$ 2,889,136</u>	<u>\$ 3,535,252</u>	<u>\$ 3,535,252</u>



**South Jefferson Central School District**  
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The District typically transfers from the General Fund to the Special Aid Fund, to cover the local share of programs and from the General Fund to the Debt Service Fund to pay long term debt payments.

The District made a one-time transfer of \$32,100 from the General Fund to the School Lunch Fund. This amount was used to bring the fund balance to a positive amount.

The District also made a transfer from the General Fund to the Capital Fund to finance a \$100,000 capital project.

**Note 10 – Postemployment Benefits Obligation Payable:**

*Plan Description*

The District administers a defined benefit OPEB plan that provides for all permanent full-time general employees of the District. The plan is a single-employer defined benefit OPEB plan (the Plan) administered by Article 11 of the State Compiled Statutes which grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Funding Policy*

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 5 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2020 approximately \$2,432,726 was paid on behalf of 204 retirees.

*Benefits Provided*

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the

**South Jefferson Central School District**  
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retired employee. 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, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	197
Active plan members	<u>263</u>
Total plan members	<u><u>460</u></u>

*Net OPEB Liability*

The District's total OPEB liability of \$91,961,124 was measured as of July 1, 2019 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial Assumptions and Other Inputs*

The total OPEB liability at June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25% (Based on CPI)
Salary Increases	Varied by years of service and retirement system
Discount Rate	3.14% (Average of Bond-Buyer - 20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 years)
Healthcare Cost Trend Rates	Pre 65 - 7.00%, decreasing to an ultimate rate of 3.886% for 2075. Post 65 - 6.00% for 2019, decreasing to an ultimate rate of 3.886% for 2075.
Retirees' Share of Benefit-Related Costs	0% to 100% of projected health insurance premiums for retirees.
Prescription Drug Trend Rates	10.25% decreasing to an ultimate rate of 3.886% for 2075.

**South Jefferson Central School District**  
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Mortality rates were based on the RPH-2014 Mortality Tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

Retirement participation rate assumed that 85% of eligible Teachers and Instructional Administrators and 75% of participants other than Teachers and Instructional Administrators will elect medical coverage at retirement age, and 48% of active member's spouses will elect medical coverage. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

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

*Changes in the Total OPEB Liability*

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a)
Balance at June 30, 2019	\$ 81,662,384	\$ -	\$ 81,662,384
Changes for the year:			
Service cost	2,616,568	-	2,616,568
Interest	2,523,909	-	2,523,909
Contributions - employer		2,566,213	(2,566,213)
Changes of assumptions or other inputs	7,724,476	-	7,724,476
Benefit payments	(2,566,213)	(2,566,213)	-
Net changes	<u>10,298,740</u>	<u>-</u>	<u>10,298,740</u>
Balance at June 30, 2020	<u>\$ 91,961,124</u>	<u>\$ -</u>	<u>\$ 91,961,124</u>

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 3.62% in 2019 to a 3.14% in 2020.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the District's 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 (2.14%) or 1 percentage point higher (4.14%) than the current discount rate:

	1% Decrease (2.14%)	Discount Rate (3.14%)	1% Increase (4.14%)
Total OPEB Liability	\$ 109,130,947	\$ 91,961,124	\$ 77,000,912

*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 costs trend rates that are 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current healthcare cost trend rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Total OPEB Liability	\$ 72,459,690	\$ 91,961,124	\$ 119,530,326

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$10,298,740. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	7,724,476	-
Contributions subsequent to the measurement period	2,432,726	-
Total	<u>\$ 10,157,202</u>	<u>\$ -</u>

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

For the year ended:

2021	\$ 1,131,128
2022	1,131,128
2023	1,131,128
2024	1,131,128
2025	1,131,128
Thereafter	2,068,836

**Note 12 – Risk Management:**

**General**

The District is exposed to various risks of loss relative 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.

**Consortiums and Self-Insured Plans**

The District participates in South Jefferson Central School District Health Plan Trust for its employee health and accident insurance coverage. The trust is operated for the benefit of the District and is considered a self-sustaining risk pool that will provide coverage for its members up to \$145,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$145,000 limit, and the District has essentially transferred all related risk to the trust.

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 13 – Commitments and contingencies:**

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.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

The District has signed contracts for a building reconstruction project. The total anticipated cost of this project is \$8,575,000 of which \$6,871,958 has been expended through the end of this fiscal year.

The District is financially responsible for a portion of the projected \$20,000,000 capital project of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES. The District's total projected share of the cost of the project is \$1,650,148, of which \$907,581 was recorded as an expense during 2019-2020 and \$742,567 is included in the 2020-2021 fiscal year budget. The District will receive financial aid reimbursement for a portion of its obligation.

**Note 14 – Tax abatements:**

The County of Jefferson entered into a property tax abatement program for the purpose of economic development. The School District property tax revenue was reduced by \$294,321. The District received payment in Lieu of Tax (PILOT) payment totaling \$41,179.

**Note 15 – Departure from GAAP:**

During the year ended June 30, 2004, the district changed its method of recording pension expense. Previously, pension expense was accrued in the various funds when the expense became a liability of that fund. The method of recording was changed to recording pension expense in the funds when paid. During the year ended June 30, 2020, a pension accrual of \$1,152,553 was not recorded in the fund accounts resulting in an understatement of liability and overstatement of fund balances of \$1,152,553. Pension expense for the year ended June 30, 2020 is overstated by \$195,333 in the fund statements. However, this expense and liability have been included in the Statement of Net Position and the Statement of Activities.

**Note 16 – Subsequent Events:**

Management has evaluated subsequent events through October 12, 2020, the date on which the financial statements were available to be issued.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic. Business continuity across a broad range of industries has been impacted. Future potential impacts may include decreases in Federal and State aid. Management is carefully monitoring the situation and evaluating its options during this time.

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Post Employment Benefits Plan**  
**June 30, 2020**

SS #1

Measurement date	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB Liability</b>			
Service cost	\$ 2,616,568	\$ 2,372,352	\$ 2,763,397
Interest	2,523,909	2,794,911	2,455,885
Differences between expected and actual experience in the measurement of the total OPEB liability	-	3,477,603	-
Changes of assumptions or other inputs	7,724,476	(1,984,525)	(8,180,446)
Benefit payments	<u>(2,566,213)</u>	<u>(2,268,700)</u>	<u>(2,220,712)</u>
Net change in total OPEB liability	10,298,740	4,391,641	(5,181,876)
Total OPEB liability - beginning	<u>81,662,384</u>	<u>77,270,743</u>	<u>82,452,619</u>
Total OPEB liability - ending	<u>\$ 91,961,124</u>	<u>\$ 81,662,384</u>	<u>\$ 77,270,743</u>
Covered payroll	<u>\$ 15,859,062</u>	<u>\$ 15,859,062</u>	<u>\$ 15,490,742</u>
Total OPEB liability as a percentage of covered payroll	579.86%	514.93%	498.82%

Note: The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

10 years of historical information will not be 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 auditors' report.

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget And Actual - General Fund**  
**For the Year Ended June 30, 2020**

SS #2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance With Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 7,878,000	\$ 7,878,000	\$ 6,860,158	\$ (1,017,842)
Other tax items	53,500	53,500	1,071,745	1,018,245
Charges for services	29,000	97,545	149,286	51,741
Use of money and property	2,500	2,500	71,330	68,830
Sale of property and compensation for los	-	-	5,715	5,715
Miscellaneous	<u>186,500</u>	<u>186,500</u>	<u>240,950</u>	<u>54,450</u>
Total Local Sources	8,149,500	8,218,045	8,399,184	181,139
State sources	25,655,780	25,655,780	25,455,314	(200,466)
Federal sources	<u>-</u>	<u>-</u>	<u>3,588</u>	<u>3,588</u>
Total Revenues	<u>33,805,280</u>	<u>33,873,825</u>	<u>33,858,086</u>	<u>(15,739)</u>
Other Financing Sources				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>27,833</u>	<u>27,833</u>
Total revenues and other sources	<u>33,805,280</u>	<u>33,873,825</u>	<u>\$ 33,885,919</u>	<u>\$ 12,094</u>
<b>Appropriated Fund Balance</b>				
Prior year's surplus	2,265,440	2,265,440		
Prior year's encumbrances	<u>-</u>	<u>151,141</u>		
Total Appropriated Fund Balance	<u>2,265,440</u>	<u>2,416,581</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 36,070,720</u>	<u>\$ 36,290,406</u>		



**South Jefferson Central School District**

SS #2

**Required Supplementary Information**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -**

**Budget and Actual - General Fund**

**For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgeting Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 36,205	\$ 62,713	\$ 39,990	\$ -	\$ 22,723
Central administration	198,867	204,523	203,704	-	819
Finance	366,377	373,872	353,691	-	20,181
Staff	69,713	62,177	52,074	-	10,103
Central services	2,298,692	2,335,095	1,740,148	74,668	520,279
Special items	1,421,460	1,421,460	1,397,521	-	23,939
Total General Support	4,391,314	4,459,840	3,787,128	74,668	598,044
Instruction					
Instruction, administration and improvement	1,055,260	1,070,849	1,034,030	550	36,269
Teaching - regular school	9,561,906	9,574,027	9,132,737	6,710	434,580
Programs for children with handicapping conditi	2,858,380	2,830,167	2,572,891	140	257,136
Occupational education	1,102,580	1,107,580	1,107,332	-	248
Teaching - special school	13,677	65,800	61,010	-	4,790
Instructional media	320,081	324,378	280,939	7,200	36,239
Pupil services	1,274,005	1,334,410	1,197,740	19,474	117,196
Total Instruction	16,185,889	16,307,211	15,386,679	34,074	886,458
Pupil Transportation	2,000,672	2,048,983	1,541,490	-	507,493
Employee Benefits	9,227,230	9,194,387	8,844,602	-	349,785
Debt Service	722,196	736,566	635,207	-	101,359
Total Expenditures	32,527,301	32,746,987	30,195,106	108,742	2,443,139
<b>OTHER FINANCING USES</b>					
Transfers to other funds	3,543,419	3,543,419	3,507,419	-	36,000
Total Expenditures and Other Uses	\$ 36,070,720	\$ 36,290,406	\$ 33,702,525	\$ 108,742	\$ 2,479,139
Net change in fund balances			183,394		
Fund balance - beginning			5,432,126		
Fund balance - ending			\$ 5,615,520		

See paragraph on supplementary schedules  
included in independent auditors' report.

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**NYSTRS Pension Plan**  
**Last 6 Fiscal Years**  
**For the Year Ended June 30, 2020**

Supplemental Schedule #3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,263,133	\$ 1,149,978	\$ 1,273,039	\$ 1,566,583	\$ 1,871,452	\$ 1,949,624
Contributions in Relation to the Contractually Required Contribution	<u>1,263,133</u>	<u>1,149,978</u>	<u>1,273,039</u>	<u>1,566,583</u>	<u>1,871,452</u>	<u>1,949,624</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$11,331,888	\$11,083,487	\$11,178,699	\$11,814,351	\$10,695,234	\$10,675,710
Contributions as a Percentage of Covered-Employee Payroll	11.15%	10.38%	11.39%	13.26%	17.50%	18.26%

**Schedule of District Contributions**  
**NYSERS Pension Plan**  
**Last 6 Fiscal Years**  
**For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 528,027	\$ 481,103	\$ 495,713	\$ 530,000	\$ 633,478	\$ 678,960
Contributions in Relation to the Contractually Required Contribution	<u>528,027</u>	<u>481,103</u>	<u>495,713</u>	<u>530,000</u>	<u>633,478</u>	<u>678,960</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
Contributions as a Percentage of Covered-Employee Payroll	13.82%	12.58%	14.32%	14.95%	17.87%	19.83%

10 years of historical information will not be 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 auditors' report.

**South Jefferson Central School District**

Supplemental Schedule #4

**Required Supplementary Information****Schedule of District's Proportionate Share of the Net Pension Liability****NYSTRS Pension Plan****Last 6 Fiscal Years****For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.067890%	0.068043%	0.068200%	0.069310%	0.071070%	0.071200%
District's Proportionate Share of the Net Pension Liability (Ass	\$ (1,763,778)	\$ (1,230,402)	\$ (518,387)	\$ 742,339	\$ (7,381,930)	\$ (7,939,006)
District's Covered-Employee Payroll	\$11,331,888	\$ 11,083,487	\$ 11,178,699	\$11,814,351	\$ 10,695,234	\$ 10,675,710
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	15.56%	11.10%	4.63%	-6.28%	69.02%	73.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.20%	101.53%	-100.66%	99.01%	110.46%	93.00%

**Schedule of District's Proportionate Share of the Net Pension Liability****NYSERS Pension Plan****Last 6 Fiscal Years****For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.012278%	0.011556%	0.012105%	0.012409%	0.012886%	0.012362%
District's Proportionate Share of the Net Pension Liability (Ass	\$ 3,251,372	\$ 818,763	\$ 390,690	\$ 1,165,951	\$ 2,068,243	\$ 417,600
District's Covered-Employee Payroll	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	85.09%	21.40%	11.28%	32.89%	58.34%	12.20%
Plan Fiduciary Net Position as a Percentage of the Total Pensic Liability (Asset)	86.39%	96.27%	98.24%	94.70%	90.68%	100.00%

10 years of historical information will not be 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 auditors' report.

**South Jefferson Central School District**      Supplemental Schedule #5  
**Schedule of Change from Adopted Budget to Final Budget**  
**And the Real Property Tax Limit - General Fund**  
**For the Year Ended June 30, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 36,070,720
Additions:	
Prior year's encumbrances	<u>151,141</u>
Original budget	36,221,861
Budget revisions:	
Summer recreation program	68,545
Final budget	<u><u>\$ 36,290,406</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-2021 subsequent year's voter-approved expenditure budget	
Maximum allowed (4% of 2020-2021 budget of \$36,972,338)	<u><u>\$ 1,478,894</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	2,349,992
Unassigned fund balance	<u>2,950,404</u>
Total unrestricted fund balance	<u><u>\$ 5,300,396</u></u>
Less:	
Appropriated fund balance	2,241,250
Encumbrances included in assigned fund balance	<u>108,742</u>
Total adjustments	<u><u>\$ 2,349,992</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,950,404</u></u>
Actual percentage	<u><u>7.98%</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

**South Jefferson Central School District**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2020**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Source	Local Sources	Total	
Buses*	\$ 750,975	\$ 750,975	\$ -	\$ 750,975	\$ 750,975	\$ -	\$ 554,020	\$ -	\$ -	\$ 554,020	(2,001,024)
Alterations - Adams Center											
Bus Garage	96,000	65,960	7,137	-	7,137	58,823	-	-	(58,823)	(58,823)	-
Districtwide Project	8,575,000	8,575,000	1,165,706	5,706,252	6,871,958	1,703,042	-	-	-	-	(6,871,958)
Smart Schools Bond Act	33,353	33,353	-	33,353	33,353	-	-	33,353	-	33,353	-
Mannsville Lighting	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Additions & Alterations - Clarke	70,000	70,000	78,478	-	78,478	(8,478)	-	-	60,398	60,398	(18,080)
Additions & Alterations - Clarke	100,000	100,000	98,425	-	98,425	1,575	-	-	(1,575)	(1,575)	-
	<u>\$ 9,725,328</u>	<u>\$ 9,695,288</u>	<u>\$ 1,349,746</u>	<u>\$ 6,590,580</u>	<u>\$ 7,940,326</u>	<u>\$ 1,754,962</u>	<u>\$ 554,020</u>	<u>\$ 33,353</u>	<u>\$ 100,000</u>	<u>\$ 687,373</u>	<u>\$ (8,891,062)</u>

\* Buses are financed by BANs when purchased.  
Only current year appropriations are listed.

**South Jefferson Central School District**

Supplemental Schedule #7

**Net Investment in Capital Assets**

**For the Year Ended June 30, 2020**

Capital assets, net		\$44,987,695
Deduct:		
Bond anticipation notes	\$10,657,340	
Short-term portion of bonds payable	2,960,000	
Long-term portion of bonds payable	<u>10,680,000</u>	
		<u>24,297,340</u>
Net Investment in capital assets		<u>\$20,690,355</u>

See paragraph on supplementary schedules included in independent auditors' report.

# STACKEL & NAVARRA, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Mark B. Hills, C.P.A.

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

Board of Education  
South Jefferson Central School District  
Adams, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Jefferson Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise South Jefferson Central School District's basic financial statements and have issued our report thereon dated October 12, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

## STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Jefferson Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-1.

### 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.

*Stackel & Navarra, CPA, PC*

Stackel & Navarra, C.P.A., P.C.

Watertown, NY

October 12, 2020



# STACKEL & NAVARRA, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education  
South Jefferson Central School District  
Adams, New York

### Report on Compliance for Each Major Federal Program

We have audited South Jefferson Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Jefferson Central School District's major federal programs for the year ended June 30, 2020. South Jefferson Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### **Opinion of Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Stackel & Navarra, CPA, PC*

Stackel & Navarra, C.P.A., P.C.  
Watertown, NY  
October 12, 2020

**South Jefferson School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

<b>Federal/Grantor/Pass-Through Grantor/Program Title</b>	<b><u>CFDA</u></b>	<b><u>Agency or</u></b>	
<b>U.S. Department of Education</b>	<b><u>Number</u></b>	<b><u>Pass-through</u></b>	
<b><u>Number</u></b>		<b><u>Number</u></b>	
<b>Passed-through NYS Education Department:</b>			
Special Education Cluster:			
IDEA - Part B (Section 619)	84.173	0033200314	\$4,500
IDEA - Part B (Section 611)	84.027	0032200314	421,886
Total Special Education Cluster			426,386
Title I - ESEA - Basic Grant	84.010	0021201155	411,633
Title IV Part A - Student Support & Academic Enrichment	84.424	0204201155	30,688
Title IIA - Supporting Effective Instruction	84.367	0147201155	72,312
Total Passed-through NYS Education Department			941,019
<b>Department of Education Direct Programs</b>			
Impact Aid	84.041		3,588
Total U.S. Department of Education			944,607
<b>U.S. Department of Agriculture</b>			
<b>Passed-through NYS Education Department:</b>			
Child Nutrition Cluster:			
Non-cash assistance (food distribution)			
National School Lunch Program	10.555		49,171
Cash assistance			
School Breakfast Program	10.553		61,820
National School Lunch Program	10.555		258,108
Summer Food Service Program for Children	10.559		300,561
Snack	10.555		772
Total Child Nutrition Cluster			670,432
Total Federal Awards Expended			\$ 1,615,039

See notes to Schedule of Expenditures of Federal Awards.

**South Jefferson School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

**Note 1 – Summary of certain significant accounting policies:**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**Note 2 – Food distribution:**

Nonmonetary assistance is recorded in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District has food commodities totaling \$12,216 in inventory.

**Note 3 – Subrecipients:**

No amounts were provided to subrecipients.

**Note 4 – Other disclosures:**

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

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

**South Jefferson Central School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's opinion(s) issued: Modified

Internal control over financial reporting:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?   X   yes \_\_\_\_\_ no

***Federal Awards***

Internal control over major programs:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditor's opinion(s) issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>Name of federal program</u>	<u>CFDA Number</u>
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IDEA – Part B (Section 619)	84.173
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IDEA – Part B (Section 611)	84.027
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Title I – ESEA – Basic Grant	84.010
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Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
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Auditee qualified as low risk? \_\_\_\_\_ yes   X   no

**South Jefferson Central School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**Section II - Financial Statements Findings**

2020-01: Condition and criteria: Undesignated General Fund balance exceeds the 4% allowed by Section 1318 of the Real Property Tax Law.

Cause: The School District's budget overestimated expenditures.

Effect: The School District is in violation of Section 1318 of the Real Property Tax Law. At June 30, 2020, the School District appropriated \$2,241,250 of fund balance for the 2020-2021 fiscal year leaving a balance of \$2,950,404 unassigned. The amount left unappropriated is in excess of four percent of the ensuing fiscal year balance by \$1,471,510.

Auditors' recommendation: We recommend the School District implement procedures to ensure that the budget is accurate and allows the School District to comply with the fund balance limit.

Corrective Action Planned: The District is aware that it exceeded the four percent limitation. The District is implementing procedures to better track budgetary expenditures throughout the year in order to more accurately predict the year-end fund balance during the budget development process. Another strategy in response to this finding is that the District recently established a Reserve Fund for required contributions to the NYS Teachers Retirement System (NYSTRS). Each year, the District will allocate the maximum allowable contribution to this fund from the unassigned fund balance.

**Section III - Federal Award Findings and Questioned Costs**

NONE

## FORM OF BOND COUNSEL'S OPINION

June 29, 2021

South Jefferson Central School District  
Counties of Jefferson, Lewis and Oswego  
State of New York

Re: South Jefferson Central School District, Jefferson, Lewis and Oswego Counties, New York  
\$8,255,000 Bond Anticipation Notes, 2021 (Renewals)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$8,255,000 Bond Anticipation Notes, 2021 (Renewals) (referred to herein as the "Notes"), of the South Jefferson Central School District, Jefferson, Lewis and Oswego Counties, State of New York (the "District"). The Notes are dated June 29, 2021 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 resolution of the District in respect of the Notes and a Certificate of Determination dated on or before June 29, 2021 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 as to 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 individual 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