

NEW ISSUE

BOND RATING: Moody's Investors Service: "Aa2"

SERIAL BONDS

See "RATINGS" Herein

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

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

\$2,820,000*

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

ORANGE COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$2,820,000* School District Refunding (Serial) Bonds, 2021

(the "Bonds")

Dated: Date of Delivery

Due: June 15, 2021-2027

MATURITIES*

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2021	\$ 5,000				2025	\$ 535,000			
2022	495,000				2026	400,000			
2023	505,000				2027	360,000			
2024	520,000								

The Bonds are general obligations of the Warwick Valley Central School District, Orange County, New York (the "School District or District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount. See "THE NOTES – Nature of the Obligation" and "TAX INFORMATION - Tax Levy Limitation Law" herein. The Bonds will not be subject to redemption prior to maturity.

The Bonds are not subject to redemption prior to maturity.

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

Interest on the Bonds will be payable on June 15, 2021, December 15, 2021 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of the approving legal opinion as to the validity of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. Certain legal matters will be passed on for the Underwriter by its counsel, Roemer Wallens Gold & Mineaux LLP, Albany, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, on or about March 25, 2021.

This Preliminary Official Statement is in a form "deemed final" by the District for the purpose of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). For a description of the District's agreement to provide continuing disclosure as described in the Rule, see "APPENDIX – C, FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

ROOSEVELT & CROSS INCORPORATED

March __, 2021

* Preliminary, subject to change.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
ORANGE COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2020-2021 BOARD OF EDUCATION

SHARON DAVIS

President

KEITH PARSONS

Vice President

DAVID EATON
EILLEN GAGLIANO
JOHN GARCIA
DENISE GINLEY
ROBERT HOWE
DORY MASEFIELD
LYNN LILLIAN

* * * * *

DR. DAVID LEACH

Superintendent

TIMOTHY HOLMES

Assistant Superintendent for Business

JENNIFER BENDEL

School District Treasurer

SUSAN LAROE

School District Clerk



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisors



ORRICK, HERRINGTON & SUTCLIFFE LLP

Bond Counsel

No person has been authorized by the Warwick Valley 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 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Warwick Valley Central School District.

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

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
THE BONDS	1	STATUS OF INDEBTEDNESS (cont.)	
Description of the Bonds.....	1	Other Obligations	26
No Optional Redemption.....	1	Capital Project Plans	27
Nature of the Obligation.....	2	Estimated Overlapping Indebtedness.....	27
BOOK-ENTRY-ONLY SYSTEM	3	Debt Ratios.....	28
Certificated Bonds.....	4		
AUTHORIZATION AND PLAN OF REFUNDING	5	SPECIAL PROVISIONS AFFECTING	
Authorization & Purpose.....	5	REMEDIES UPON DEFAULT	28
The Refunding Financial Plan.....	5		
Verification of Mathematical Computations.....	6	MARKET AND RISK FACTORS	29
Sources and Uses of Bond Proceeds.....	6	Cybersecurity	30
		COVID-19.....	30
THE SCHOOL DISTRICT	7	TAX MATTERS	30
General Information	7	LEGAL MATTERS	31
District Population	7	LITIGATION	31
Selected Wealth and Income Indicators.....	7	CONTINUING DISCLOSURE	32
Larger Employers.....	8	Historical Continuing Disclosure Compliance.....	32
Unemployment Rate Statistics.....	8	RATINGS	32
Form of School Government.....	8	UNDERWRITING	32
Financial Organization	9	MUNICIPAL ADVISOR	32
Budgetary Procedures and Recent Budget Votes.....	9	MISCELLANEOUS	33
Investment Policy	9		
State Aid.....	10	APPENDIX - A	
State Aid Revenues	13	GENERAL FUND - Balance Sheets	
School District Facilities	14		
Enrollment Trends.....	14	APPENDIX - A1	
Employees.....	14	GENERAL FUND – Revenues, Expenditures and	
Status and Financing of Employee Pension Benefits.....	14	Changes in Fund Balance	
Other Post-Employment Benefits.....	16		
Financial Statements	18	APPENDIX - A2	
New York State Comptroller Reports of Examination	18	GENERAL FUND – Revenues, Expenditures and	
The State Comptroller's Fiscal Stress Monitoring System	18	Changes in Fund Balance - Budget and Actual	
Other Information.....	19		
TAX INFORMATION	19	APPENDIX - B	
Taxable Assessed Valuations	19	BONDED DEBT SERVICE	
Tax Rate Per \$1,000 (Assessed).....	20		
Tax Collection Procedure	20	APPENDIX - B1	
Tax Levy and Tax Collection Record.....	20	CURRENT BONDS OUTSTANDING	
Real Property Tax Revenues	20		
Ten Largest Taxpayers – 2020 for 2020-21 Tax Roll.....	21	APPENDIX - C	
STAR - School Tax Exemption.....	21	FORM OF CONTINUING DISCLOSURE UNDERTAKING	
Additional Tax Information.....	22		
TAX LEVY LIMITATION LAW	22	APPENDIX - D	
STATUS OF INDEBTEDNESS	21	FORM OF BOND COUNSEL'S OPINION	
Constitutional Requirements	23		
Statutory Procedure	24	APPENDIX - E	
Debt Outstanding End of Fiscal Year.....	25	AUDITED FINANCIAL STATEMENTS	
Details of Outstanding Indebtedness	25	Fiscal Year Ended June 30, 2020	
Debt Statement Summary.....	25		
Bonded Debt Service.....	26		
Cash Flow Borrowings.....	26		

PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
250 South Clinton Street, Suite 502
Syracuse, New York 13202
(315) 752-0051
www.fiscaladvisors.com

OFFICIAL STATEMENT
of the
WARWICK VALLEY CENTRAL SCHOOL DISTRICT
ORANGE COUNTY, NEW YORK

Relating To
\$2,820,000* School District Refunding (Serial) Bonds, 2021

This Official Statement, which includes the cover page, has been prepared by the Warwick Valley Central School District, Orange County, New York (the “School District” or “District”, “County”, and “State”, respectively) in connection with the sale by the District of \$2,820,000 principal amount of School District Refunding (Serial) Bonds, 2021 (the “Bonds”).

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

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

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 “MARKET AND RISK FACTORS - COVID-19” herein.

THE BONDS

Description of the Bonds

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

The Bonds will be dated the date of delivery and will mature in the principal amounts as set forth on the cover page. The Bonds are not subject to redemption prior to maturity. The “Record Date” of the Bonds will be the last day (whether or not a business day) of the calendar month immediately preceding each such interest payment date. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity or prior redemption

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 15, 2021, December 15, 2021 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

No Optional Redemption

The Bonds are not subject to redemption prior to maturity.

* Preliminary, subject to change.

Nature of the Obligation

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

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

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District 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). Chapter 97 of the New York Laws of 2011, as amended (the “Tax Levy Limitation Law” or “Chapter 97”) 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 Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. 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.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Bonds

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

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purposes

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly section 90.00 of the Local Finance Law, a refunding bond resolution adopted by the Board of Education on January 7, 2021 (the “Refunding Bond Resolution”) and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$2,995,000 outstanding principal balance of the School District (Serial) Bonds, 2013, dated June 15, 2013 maturing in the years 2022 through 2027, originally issued by the School District in the aggregate principal amount of \$6,829,919 (the “Refunded Bonds”) and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were authorized by the Board of Education pursuant to a bond resolution adopted on June 13, 2009 to finance the cost of the reconstruction and construction of improvements to various School District facilities.

The proceeds of the Bonds are intended to be used to purchase a portfolio of non-callable direct obligations of the United States of America (the “Government Obligations”) and pay certain costs of issuance related to the Bonds. The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the Escrow Deposit Fund (as hereinafter defined) are expected to be sufficient to pay the maturing principal of and interest on the Refunded Bonds.

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the District’s refunding financial plan (the “Refunding Financial Plan”) dated December 8, 2020. The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of the Government Obligations. The Government Obligations are to be placed in an irrevocable trust fund (the “Escrow Deposit Fund”) with Wilmington Trust, N.A., an affiliate of Manufacturers and Traders Trust Company (the “Escrow Holder”), pursuant to the terms of an escrow contract (the “Escrow Contract”) by and between the District and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations will mature in amounts and bear interest sufficient, together with any un-invested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments with respect to the Refunded Bonds on the dates such payments are due or, in the case of Refunded Bonds subject to redemption prior to maturity, upon their earliest redemption dates (the “Payment Dates”). The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Refunding Bond Resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their respective first permitted redemption date. The owners of the Refunded Bonds will have a first lien on all of the respective cash and securities necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the un-invested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

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

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

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

\$6,829,919 School District (Serial) Bonds, 2013
CUSIP BASE: 936733

<u>Due June 15th</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
2022	\$ 525,000	2.250%	6/15/2021	100.00%	KQ6
2023	540,000	2.500	6/15/2021	100.00	KR4
2024	550,000	2.750	6/15/2021	100.00	KS2
2025	565,000	3.000	6/15/2021	100.00	KT0
2026	430,000	3.000	6/15/2021	100.00	KU7
2027	<u>385,000</u>	3.125	6/15/2021	100.00	KV5
	<u>\$ 2,995,000</u>				

The proceeds of the Refunded Bonds have been fully expended.

Verification of Mathematical Computations

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

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

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

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

THE SCHOOL DISTRICT

General Information

The District includes all of the Village of Warwick, 57% of the Town of Warwick and 15% of the Town of Chester (together the “Towns”), for a total of approximately 81 square miles.

The District lies in the southeastern portion of Orange County approximately 50 miles northwest of New York City. Orange County is one of the fastest growing counties in New York State. The area is primarily residential and agricultural in nature with some industrial development. Agricultural production is relatively well divided among vegetable, fruit, dairy farming and poultry raising. The Warwick area is rapidly becoming a suburban-like residential community close to the environs of New York City and central New Jersey, and located in the midst of the economic development occurring in the Mid-Hudson region.

Much of the District's growth and its potential for further development can be attributed to the creation of a network of State, County and local roads which links the District ever closer to the urban areas to the south. Orange County provides one of the largest land reservoirs for the expansion of the New York-New Jersey metropolitan region.

The District is just east of the area designed as the Delaware Water Gap National Recreation area. This area was created by an act passed on September 1, 1965. The United States Department of Interior estimates that 10 million people will visit this recreation area each year.

The Conrail Railroad traverses the District to provide business and industry with high-speed access to the various metropolitan areas. Motor freight lines and bus passenger service to New York City is available. The Quickway, a limited access four lane divided highway portion of Route 17, facilitates rapid transportation to the New York State Thruway. Routes 94 and 17A provide access to other parts of New York and northern New Jersey. The District is located approximately 30 miles from Stewart International Airport.

The City of Middletown and the Town of Wallkill, located just west of the District, offer many facilities. These include Orange County Community College, several major retail centers, financial institutions, a central library and cultural center, entertainment, general hospital and related services; large employers, and professional services.

Source: District officials.

District Population

The 2019 estimated population of the District is 23,885. (Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates)

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
Towns of:						
Chester	\$ 25,900	\$ 38,236	\$ 42,845	\$ 75,222	\$ 100,899	\$ 112,762
Warwick	25,409	38,033	45,589	71,074	96,641	118,506
County of:						
Orange	21,597	28,944	34,959	60,355	82,480	97,009
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.

Larger Employers

Some of the major employers located in or in close proximity to the District are as follows:

<u>Name</u>	<u>Type</u>	<u>Employees (Approx.)</u>
Warwick Valley Central Schools	Public Education	631
St. Anthony's Community Hospital	Health Services	300
Alcatel Wire & Cable, Inc.	Insulated Cable & Wire	170
Shop Rite, Inc.	Retail Food Store	140
Sterling Bank	Banking & Finance	105
Price Chopper	Retail Food Store	100
Warwick Valley Telephone, Inc.	Communication Services	90
Jones Chemical, Inc.	Sodium Hypochlorite	50
Sullivan Flotation Systems, Inc.	Floating Docks	35
Lycian Stage Lighting	Stage Lighting	34

Note: The information presented in the table above is based on information available prior to the outbreak of the COVID-19 pandemic.

Source: District officials.

Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Orange County	5.5%	4.7%	4.3%	4.5%	3.9%	3.8%	N/A
New York State	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%	N/A

	<u>2020-21 Monthly Figures</u>											<u>2021</u>
	<u>2020</u>											
	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>
Orange County	4.1%	4.1%	15.7%	11.9%	12.6%	13.7%	10.4%	6.3%	6.3%	5.4%	5.9%	N/A
New York State	3.9%	4.2%	15.1%	14.2%	15.5%	16.0%	12.5%	9.3%	9.0%	8.1%	8.1%	N/A

Note: Unemployment rates for the month of January 2021 and annual averages for 2020 are not available as of the date of this Official Statement. Unemployment rates for the foreseeable future are expected to remain substantially higher than prior periods as a result of the COVID-19 pandemic.

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

Form of School Government

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

Financial Organization

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

Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a tentative budget of the School District for the ensuing fiscal year. A public hearing on such budget is held not less than seven 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.

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 “Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the 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 Tax Cap also 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). Clarification may be needed to determine whether a Board of Education must adopt a budget that requires the same tax levy amount as used in the prior fiscal year, or whether changes to the levy are permitted for such purposes as the permitted school district exclusions or the tax base growth factor. For a complete discussion of Chapter 97, see “TAX LEVY LIMITATION LAW” herein.

Recent Budget Vote Results

The budget for the 2019-20 fiscal year was approved by the qualified voters of the District on May 21, 2019 by a vote of 967 to 419. The budget included a total tax levy increase of 2.67% which is below the District Tax Cap of 2.85% for the 2019-20 fiscal year.

The budget for the 2020-21 fiscal year was approved by the qualified voters of the District on June 16, 2020 by a vote of 3,954 to 2,189. The budget included a total tax levy increase of 2.60% which was below the District’s Tax Cap of 2.87% for the 2020-21 fiscal year.

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.

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. Investments are stated at fair value.

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 law and the District policy does not permit the District to enter into reverse repurchase agreements or make other derivative type investments.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the School Districts can be paid only if the State has such monies available for such payment. In its adopted budget for the 2020-21 fiscal year, approximately 25.2% 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 amount of State aid to school districts is dependent in part upon the financial condition of the State. Due the outbreak of COVID-19 the State has 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; however, it is anticipated that the State will be required to take 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.

The State’s 2020-2021 Enacted 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).

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.

The availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

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

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

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

Potential reductions in Federal aid received by the State.

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

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.

Building Aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2020-21 preliminary building aid ratios, the District expects to receive State building aid of approximately 68.8% of debt service on State Education Department approved expenditures from July 1, 2004 to the present. (See also “*State Aid*” herein).

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

State aid history:

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

School district fiscal year (2016-2017): The State 2016-17 Enacted Budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full funding of expense-based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

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

School district fiscal year (2018-2019): The State 2018-19 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately \$859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at \$26.03 billion statewide, a 3.4% increase over the last year. The State 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase was “set aside” for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-19.

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

School district fiscal year (2020-2021): Due to the extraordinary challenges from the COVID-19 health crisis creating at least a \$10 billion loss in revenue to the State, the State’s Enacted 2020-2021 Budget includes a total of \$27.9 billion State aid, which is essentially the same amount of State aid to school districts included in the State’s 2019-2020 Enacted Budget. The State’s Enacted 2020-2021 Budget includes a “pandemic adjustment” for each school district, a reduction in State funding that will match how much school districts expect to receive from the federal CARES stimulus program. In addition, the State’s Enacted 2020-2021 Budget authorizes the State Budget Director to make uniform reductions to appropriations (including the appropriations for State aid to school districts) if the State’s Enacted 2020-2021 Budget becomes unbalanced because revenues fall below projections or expenditures rise above projections during a given period. The proposed reductions would be shared with the Legislature which would then have 10 days to prepare and adopt their own plan. If the Legislature does not do so, the Budget Director’s proposed reductions would go into effect automatically.

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.

State Aid Revenues

The following table illustrates the percentage of total General Fund revenues of the District for each of the last five completed fiscal years and the current budgeted 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	\$ 85,563,267	\$ 23,413,246	27.36%
2016-2017	87,410,834	24,767,880	28.34
2017-2018	90,972,454	26,912,153	29.58
2018-2019	91,576,179	25,918,642	28.30
2019-2020	93,993,850	26,355,011	28.04
2020-2021 (Budgeted)	93,040,394 ⁽¹⁾	23,476,618	25.23

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

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

School District Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
High School	9-12	1,531	1958, '65, '91, 2000
Middle School	5-8	1,206	1974, '98
Park Avenue	K-4	355	1929, '91
Kings Elementary ⁽¹⁾	K-4	432	1965, '91
Pine Island ⁽²⁾	K-4	372	1928, '57, '69, 2000
Sanfordville	K-4	864	2000

- (1) Due to declines in enrollment which are expected to continue for the foreseeable future, the Board of Education voted to close Kings Elementary School at the end of the 2012-13 school year.
- (2) The District closed this building in 2010 and currently rents a portion of the building. Closing of the building saved approximately \$1.5 million in operating costs.

Note: The District currently has approximately 181 tuition students and could see up to 20 additional tuition students in the future. Tuition costs are approximately \$11,275 per year.

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2016-2017	3,614	2021-2022	3,588
2017-2018	3,591	2022-2023	3,550
2018-2019	3,564	2023-2024	3,544
2019-2020	3,570	2024-2025	3,555
2020-2021	3,578	2025-2026	3,535

Source: District officials.

Employees

The District currently employs 419 full and 282 part-time employees, with the following union representations:

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
394	Warwick Valley Support Staff Association	June 30, 2024
294	Warwick Valley Teachers' Association	June 30, 2022
13	Warwick Valley Administrators' Association	June 30, 2024

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2019-20 fiscal year and budgeted figures for the 2020-21 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	\$ 1,366,255	\$ 5,478,977
2016-2017	1,265,499	3,761,544
2017-2018	1,324,237	3,210,860
2018-2019	1,313,769	3,565,092
2019-2020	1,402,279	2,936,422
2020-2021 (Budgeted)	1,800,826	3,480,855

Source: District records.

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

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District currently has an early retirement incentive programs for its employees that are a part of the Teachers' Association, with nine employees participating in the 2019-20 school year.

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

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

<u>Fiscal 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 State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that authorized local governments, 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 Rate Pension Contribution Option”). For 2016-17 the stable contribution option rate is 15.1% for ERS and 14.13% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The State’s 2019-2020 Enacted Budget, which was signed into law on March 31, 2019, will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of June 30, 2019, the School District has established such reserve fund.

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.

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 an actuarial firm to calculate its first actuarial valuation under GASB 75. The following outlines the changes to the Total OPEB Liability during the 2019 and 2020 fiscal years, by source.

	Balance beginning at:	July 1, 2018	July 1, 2019
		<u>\$ 165,671,566</u>	<u>\$ 175,643,541</u>
<u>Changes for the year:</u>			
Service cost		4,873,490	5,613,209
Interest		6,036,044	6,936,054
Differences between expected and actual experience		6,059,669	(354,811)
Changes in assumptions or other inputs		(3,081,876)	11,108,849
Benefit payments		<u>(3,915,352)</u>	<u>(4,100,000)</u>
Net Changes		<u>\$ 9,971,975</u>	<u>\$ 19,203,301</u>
	Balance ending at:	June 30, 2019	June 30, 2020
		<u>\$ 175,643,541</u>	<u>\$ 194,846,842</u>

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District's OPEB liability for fiscal year ended June 30, 2020, see "APPENDIX - E" attached hereto.

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.

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.

Financial Statements

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2020 and has been filed with the Electronic Municipal Market Access (“EMMA”) website. It is also attached hereto as “APPENDIX-E” to this Official Statement. Certain summary financial information of the District can also 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 Reports of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the School 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 its most recent audit report of the District on September 20, 2019. The purpose of the audit was to determine whether the District procured professional services in accordance with Board policies and applicable statutory requirements. Key findings and recommendations from the report are summarized below:

Key Finding:

- District officials did not seek competition for professional services from four of the 12 professional service providers reviewed. These providers were paid \$740,600 during the audit period.

Key Recommendations:

- Review and update the procurement policy to be sure it sets forth the expectations for the procurement of professional services.
- Ensure that the procurement policy requirement that professional services be procured using requests for proposals (RFPs) is followed.

The District provided a complete response to the State Comptroller’s office on September 5, 2019. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

The State Comptroller’s Fiscal Stress Monitoring System

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

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

Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the 2016 through 2020 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
2017	No Designation	0.0
2016	No Designation	0.0

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

Other Information

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

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

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

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

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

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:					
Chester	\$ 191,241,852	\$ 194,236,008	\$ 198,123,807	\$ 197,419,319	\$ 197,612,079
Warwick	343,015,571	344,559,230	347,068,060	349,821,355	352,024,437
Total Assessed Values	<u>\$ 534,257,423</u>	<u>\$ 538,795,238</u>	<u>\$ 545,191,867</u>	<u>\$ 547,240,674</u>	<u>\$ 549,636,516</u>

State Equalization Rates

Towns of:					
Chester	63.00%	62.50%	59.00%	58.20%	54.73%
Warwick	15.00%	14.60%	14.10%	13.91%	13.53%

Taxable Full Valuations

Towns of:					
Chester	\$ 303,558,495	\$ 310,777,613	\$ 335,803,063	\$ 339,208,452	\$ 361,067,201
Warwick	2,286,770,473	2,359,994,726	2,461,475,603	2,514,891,121	2,601,806,630
Total Taxable Full Valuation	<u>\$ 2,590,328,969</u>	<u>\$ 2,670,772,339</u>	<u>\$ 2,797,278,666</u>	<u>\$ 2,854,099,573</u>	<u>\$ 2,962,873,831</u>

Source: District officials.

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:					
Chester	\$ 36.69	\$ 36.56	\$ 38.08	\$ 38.34	\$ 39.38
Warwick	154.09	156.51	159.34	162.86	165.81

Source: District officials.

Tax Collection Procedure

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

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	\$ 58,479,771	\$ 59,531,316	\$ 61,287,490	\$ 60,338,652	\$ 62,211,496
Amount Uncollected ⁽¹⁾	2,327,466	1,819,688	2,203,420	2,051,274	1,793,456
% Uncollected	3.98%	3.06%	3.60%	3.40%	2.88%

⁽¹⁾ As of the end of the local collection period. The Counties make the District whole prior to the District's fiscal year ending, thus assuring the District of 100% collections each year. See "Tax Collection Procedure" herein

Source: District officials.

Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes and Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes and Tax Items</u>
2015-2016	\$ 85,563,267	\$ 52,645,835	61.53%
2016-2017	87,410,834	52,998,821	60.63
2017-2018	90,972,454	54,196,337	59.57
2018-2019	91,576,179	61,514,403	67.17
2019-2020	93,993,850	63,163,896	67.20
2020-2021 (Budgeted)	93,040,394 ⁽¹⁾	64,572,462	69.40

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

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

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

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Orange & Rockland Utilities Inc.	Utility	\$ 5,642,307
UH US Warwick 2019 LLC	Commercial	1,592,315
Route 94 Owners LLC	Commercial	1,562,200
Warwick Valley Telephone Co	Commercial	970,350
Wadeson Richard .	Retail	833,500
J W Warwick, LLC	Commercial	588,400
Warwick Valley BBA LLC	Commercial	538,000
US Bank Trust NA	Commercial	467,700
Hubert John R	Commercial	380,700
Javic Management Corp	Farm	380,000

The ten larger taxpayers listed above have a total taxable assessed valuation of \$12,955,472 which represents 2.36% of the tax base of the District.

There is currently a potential of \$1 million in tax certiorari claims. The District has a tax certiorari reserve fund balance of \$852,000 as of June 30, 2020. The District also maintains a \$75,000-line item in the budget to cover any smaller claims. The District does not anticipate that any such claims will have a material adverse impact on the District's finances.

Source: District Tax Rolls.

STAR – School Tax Exemption

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

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of \$86,300 or less for 2019 benefits and \$88,050 or less for 2020 benefits, 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 \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 "full value" exemption on their primary residence.

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

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

The 2020-21 Enacted State Budget requires that STAR benefits be withheld from 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 2020-21 District tax roll for the municipalities applicable to the District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Chester	\$ 47,200	\$ 20,290	4/10/2020
Warwick	11,110	4,780	4/10/2020

\$4,213,946 of the District's \$62,492,970 school tax levy for the 2019-20 fiscal year was exempted by the STAR Program. The District received all of such exempt taxes from the State on January 1, 2020.

Approximately \$3,956,693 of the District's \$66,196,962 school tax levy for the 2020-2021 fiscal year is expected to be exempted by the STAR Program. The District anticipates receiving all of such exempt taxes from the State by January, 2021.

Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Residential-75%, Commercial-20% and Industrial-5%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the District is approximately \$4,145 including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

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

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, Chapter 97 of the Laws of 2011 imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. See “TAX LEVY LIMITATION LAW” herein.

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

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

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 27,340,000	\$ 23,415,000	\$ 20,380,000	\$ 22,235,000	\$ 18,885,000
Bond Anticipation Notes	1,656,000	5,793,000	5,982,311	917,111	7,763,929
Other Debt ⁽¹⁾	<u>4,337,000</u>	<u>3,851,874</u>	<u>9,087,557</u>	<u>8,746,580</u>	<u>7,818,388</u>
Total Debt Outstanding:	<u>\$ 33,333,000</u>	<u>\$33,0598,874</u>	<u>\$ 35,449,868</u>	<u>\$ 31,898,691</u>	<u>\$ 34,467,317</u>

⁽¹⁾ Consists of installment debt, energy performance contract and other leases. See "Lease Obligations" herein.

Details of Outstanding Indebtedness

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

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2021-2037	\$ 18,110,000
<u>Bond Anticipation Notes</u>		
Capital Project	June 30, 2021	6,890,400
Purchase of Buses	July 23, 2021	<u>874,091</u>
Total Indebtedness		<u>\$ 25,874,491</u>

Debt Statement Summary

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

Full Valuation of Taxable Real Property	\$ 2,962,873,831
Debt Limit 10% thereof	296,287,383

Inclusions:

Bonds	\$ 18,110,000
Bond Anticipation Notes	<u>7,764,491</u>
Total Inclusions	\$ 25,874,491

Exclusions:

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

Total Net Indebtedness	<u>\$ 25,874,491</u>
Net Debt-Contracting Margin	<u>\$ 270,412,892</u>
The percent of debt contracting power exhausted is	8.73%

- ⁽¹⁾ Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing bonded debt. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building aid Estimate. Over the years the building aid ratio has been adjusted based on State legislative changes with an effective date tied to voter authorization dates. Based on preliminary 2021-22 Building Aid Ratios, the School District anticipates State Building aid of 68.8% for debt service on SED approved expenditures from July 1, 2004 to the present. The School District has no reason to believe that it will not ultimately receive all of the Building aid it anticipates, however, no assurance can be given as to when and how much Building aid the School District will receive in relation to its capital project indebtedness.

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

Bonded Debt Service

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

Cash Flow Borrowings

The District has not issued any revenue or tax anticipation notes in the recent past and does not anticipate issuing either tax anticipation notes or revenue anticipation notes in the foreseeable future.

Other Obligations

On June 26, 2013, the District entered into a lease purchase agreement in the principal amount of \$3,975,156 to finance the cost of energy efficiency improvements over a 15-year period. The following is a schedule of future lease payments as of March 1, 2021:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 263,160	\$ 64,549
2022	270,476	57,233
2023	277,995	49,714
2024	285,723	41,986
2025-2029	<u>1,224,562</u>	<u>86,274</u>
Total Payments	<u>\$ 2,321,916</u>	<u>\$ 299,576</u>

On August 17, 2017, the District entered into an energy performance contract with Bank of America Merrill Lynch in the principal amount of \$5,733,030 to finance the cost of energy efficiency improvements over a 15-year period. The following is a schedule of future lease payments as of March 1, 2021.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 0	\$ 64,683
2022	341,000	116,853
2023	352,000	108,208
2024	362,000	99,301
2025-2033	<u>3,799,000</u>	<u>445,320</u>
Total Payments	<u>\$ 4,854,000</u>	<u>\$ 834,563</u>

On May 20, 2019, the District entered into a lease purchase agreement in the principal amount of \$395,932 to finance various equipment over a 5-year period. The following is a schedule of future lease payments as of March 1, 2021:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 0	\$ 0
2022	75,963	11,447
2023	79,602	7,809
2024	<u>83,415</u>	<u>3,996</u>
Total Payments	<u>\$ 238,981</u>	<u>\$ 23,251.28</u>

On December 10, 2019, the District entered into an installment purchase contract in the principal amount of \$71,110 to finance various equipment over a 5-year period. The following is a schedule of future lease payments as of March 1, 2021:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,657	\$ 1,209
2022	24,404	1,328
2023	<u>6,336</u>	<u>97</u>
Total Payments	<u>\$ 42,398</u>	<u>\$ 2,634</u>

Source: District officials.

Capital Project Plans

On December 7, 2017, the qualified voters of the District approved a \$10,800,000 capital project for the reconstruction and construction improvements to various District facilities. The project will utilize \$3,909,600 of capital reserve funds and \$6,890,400 borrowed funds. The project will receive State building aid on the project and there will be no tax increase for District residents. On January 8, 2018 the Board of Education approved a bond resolution authorizing the issuance of \$6,890,400 bonds to pay for the costs of the project. On July 9, 2019 the District issued \$6,890,400 bond anticipation notes against the above-mentioned authorization, which will be renewed at maturity with proceeds of the bond anticipation notes. On July 8, 2020, the District renewed the outstanding \$6,890,400 bond anticipation notes through June 30, 2021. The District plans to issue bonds in June 2021 to permanently finance the project.

Other than the above-mentioned projects, the District has no other capital projects approved or contemplated at this time

Estimated Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Orange	6/26/2020 ⁽³⁾	\$ 290,622,000	\$ 14,150,000	\$ 276,472,000	8.63%	\$ 23,859,534
Fire Districts of:						
Pine Island	12/31/2018 ⁽⁴⁾	2,441,722	-	2,441,722	100.00%	2,441,722
Warwick	12/31/2018 ⁽⁴⁾	1,400,000	1,400,000	-	100.00%	-
Town of:						
Chester	6/1/2020 ⁽³⁾	6,189,500	1,090,411	5,099,089	23.48%	1,197,266
Warwick	12/31/2018 ⁽⁴⁾	8,855,030	2,296,440	6,558,590	65.19%	4,275,545
Village of:						
Warwick	5/31/2019 ⁽⁴⁾	368,600	368,600	-	100.00%	-
					Total:	<u>\$ 31,774,067</u>

Notes:

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

Sources of information:

- (3) Most recent available official statement or annual disclosure filing of the municipality obtained from the Electronic Municipal Market Access Website.
- (4) Most recent available State Comptroller's Special Report for the respective fiscal year.

Debt Ratios

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

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 25,874,491	\$ 1,083.29	0.87%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	57,648,558	2,413.59	1.95%

(a) The 2019 estimated population of the District is 23,885. (See "THE SCHOOL DISTRICT – School District Population" herein.)

(b) The District's full value of taxable real estate for the District's 2020-21 tax roll is \$2,962,873,831. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is \$31,774,067. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the 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 Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the 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 Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the School District as well as the market for the Bonds 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 Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the School District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

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

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the market price of the Bonds. 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 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Bonds, or the tax status of interest on the Bonds. See "TAX MATTERS" herein.

Cybersecurity

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

COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken 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 Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel are set forth in "APPENDIX – D".

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 Bonds. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. 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 Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. 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 Bonds.

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 Bonds) 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 Bonds 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 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds 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, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made in recent years which would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as "APPENDIX – D".

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

LITIGATION

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School 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 School 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 School District, threatened against or affecting the School District to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the School District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the School 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 a Continuing Disclosure Undertaking, a description of which is attached hereto as "APPENDIX – C, MATERIAL EVENT NOTICES".

Historical Continuing Disclosure Compliance

The District has in the previous five years complied, in all material respects, with any previous undertakings pursuant to the Rule. However,

The District had failed to file notice of the incurrence of certain financial obligations in a timely manner. On May 20, 2019, the District entered into a lease agreement in the principal amount of \$395,932 and on December 10, 2019, the District entered into an installment purchase contract in the principal amount of \$71,110. The District filed an event notice on June 18, 2020 outlining details of the lease agreements and notice of its failure to file.

RATINGS

Moody's Investors Service ("Moody's") has assigned its rating of "Aa2" to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the view of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, 7 World Trade Center, 250 Greenwich St., New York, New York 10007. Phone: (212) 553-0038, Fax: (212) 553-1390.

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

UNDERWRITING

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

MUNICIPAL ADVISOR

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

MISCELLANEOUS

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

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

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

Neither Orrick, Herrington & Sutcliffe, LLP, New York, New York, Bond Counsel to the District, nor Roemer Wallens Gold & Mineaux LLP, Albany, New York, Counsel to the Underwriter, expresses any opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

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

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

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

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

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

The District's contact information is as follows: Mr. Timothy Holmes, Assistant Superintendent for Business, District Offices, Sandforville Rd-West Street Ext., P.O. Box 595, Warwick, New York 10990, Phone: (845) 987-3000 Ext. 10521, Fax: (845) 987-8114, Email: tholmes@wvcsd.org.

Additional information may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Dated: March 4, 2021

SHARON DAVIS
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 9,439,480	\$ 8,073,378	\$ 8,604,699	\$ 9,088,656	\$ 10,203,975
Restricted Cash	8,166,878	10,453,978	9,308,304	11,214,977	13,725,874
Taxes Receivable	-	-	5	-	-
Due from Other Funds	1,300,578	1,647,894	1,666,820	1,340,835	1,639,217
State and Federal Aid Receivable	2,031,745	1,464,365	1,820,773	1,428,820	1,563,862
Other Receivables	228,034	212,907	77,249	57,047	30,792
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 21,166,715</u></u>	<u><u>\$ 21,852,522</u></u>	<u><u>\$ 21,477,850</u></u>	<u><u>\$ 23,130,335</u></u>	<u><u>\$ 27,163,720</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 398,100	\$ 58,172	\$ 63,684	\$ 59,091	\$ 169,494
Accrued Liabilities	695,653	594,454	462,184	499,926	575,739
Due to Fiduciary Funds	-	-	9,223	1,759	6,355
Due to Other Funds	250,000	248,521	239,147	617,678	680,624
Due to Teachers' Retirement System	4,419,858	3,975,322	3,393,654	3,698,459	3,178,059
Due to Employees' Retirement System	311,594	318,400	328,839	324,972	414,066
Other Liabilities	-	-	26,193	28,393	28,993
Due to other Governments	-	-	-	-	-
Deferred Revenues	86,946	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u><u>\$ 6,162,151</u></u>	<u><u>\$ 5,194,869</u></u>	<u><u>\$ 4,522,924</u></u>	<u><u>\$ 5,230,278</u></u>	<u><u>\$ 5,053,330</u></u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	8,694,244	10,781,169	9,308,304	11,214,977	13,725,874
Assigned	2,782,235	2,271,807	3,929,851	2,885,019	4,606,815
Unassigned	3,528,085	3,604,677	3,716,771	3,800,061	3,777,701
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u><u>\$ 15,004,564</u></u>	<u><u>\$ 16,657,653</u></u>	<u><u>\$ 16,954,926</u></u>	<u><u>\$ 17,900,057</u></u>	<u><u>\$ 22,110,390</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 21,166,715</u></u>	<u><u>\$ 21,852,522</u></u>	<u><u>\$ 21,477,850</u></u>	<u><u>\$ 23,130,335</u></u>	<u><u>\$ 27,163,720</u></u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 52,645,835	\$ 52,998,821	\$ 54,196,337	\$ 56,330,316	\$ 58,714,147
Other Tax Items	6,036,331	5,682,312	5,546,836	5,184,087	4,449,749
Charges for Services	1,685,301	1,953,089	1,889,471	2,283,765	2,460,479
Use of Money & Property	619,137	661,185	816,949	864,410	780,085
Sale of Property and					
Compensation for Loss	282,518	188,941	449,159	205,112	294,759
Miscellaneous	845,564	1,116,355	822,950	690,558	529,440
Revenues from State Sources	23,413,246	24,767,880	26,912,153	25,918,642	26,355,011
Revenues from Federal Sources	35,335	40,894	57,448	95,467	260,180
Total Revenues	<u>\$ 85,563,267</u>	<u>\$ 87,409,477</u>	<u>\$ 90,691,303</u>	<u>\$ 91,572,357</u>	<u>\$ 93,843,850</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>1,357</u>	<u>281,151</u>	<u>3,822</u>	<u>150,000</u>
Total Revenues and Other Sources	<u>\$ 85,563,267</u>	<u>\$ 87,410,834</u>	<u>\$ 90,972,454</u>	<u>\$ 91,576,179</u>	<u>\$ 93,993,850</u>
<u>EXPENDITURES</u>					
General Support	\$ 7,355,405	\$ 8,323,698	\$ 8,448,155	\$ 9,402,668	\$ 8,237,908
Instruction	48,276,696	49,866,422	49,264,051	51,000,228	51,387,806
Pupil Transportation	3,832,316	4,002,278	3,829,802	3,777,598	3,527,867
Community Services	-	-	-	-	-
Employee Benefits	18,157,623	18,289,761	19,269,071	20,394,104	20,185,746
Debt Service	4,800,411	4,775,857	4,957,472	5,443,506	5,615,621
Total Expenditures	<u>\$ 82,422,451</u>	<u>\$ 85,258,016</u>	<u>\$ 85,768,551</u>	<u>\$ 90,018,104</u>	<u>\$ 88,954,948</u>
Other Uses:					
Interfund Transfers	<u>3,063,424</u>	<u>499,729</u>	<u>4,906,630</u>	<u>612,944</u>	<u>828,569</u>
Total Expenditures and Other Uses	<u>\$ 85,485,875</u>	<u>\$ 85,757,745</u>	<u>\$ 90,675,181</u>	<u>\$ 90,631,048</u>	<u>\$ 89,783,517</u>
Excess (Deficit) Revenues Over Expenditures	<u>77,392</u>	<u>1,653,089</u>	<u>297,273</u>	<u>945,131</u>	<u>4,210,333</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	14,927,172	15,004,564	16,657,653	16,954,926	17,900,057
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 15,004,564</u></u>	<u><u>\$ 16,657,653</u></u>	<u><u>\$ 16,954,926</u></u>	<u><u>\$ 17,900,057</u></u>	<u><u>\$ 22,110,390</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 - Budget and Actual

Fiscal Years Ending June 30:				
		2020		2021
	<u>Original</u>	<u>Final</u>	<u>Audited</u>	<u>Adopted</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
<u>REVENUES</u>				
Real Property Taxes	\$ 62,936,123	\$ 62,936,123	\$ 62,928,124	\$ 64,572,462
Other Tax Items	236,231	236,231	235,772	250,708
Charges for Services	2,239,000	2,239,000	2,460,477	2,464,163
Use of Money & Property	644,789	644,789	780,087	661,443
Sale of Property and Compensation for Loss	5,000	6,000	294,759	-
Miscellaneous	430,000	445,655	529,440	470,000
Revenues from State Sources	26,363,141	26,363,141	26,355,011	23,476,618
Revenues from Federal Sources	35,000	35,000	260,180	45,000
Total Revenues	<u>\$ 92,889,284</u>	<u>\$ 92,905,939</u>	<u>\$ 93,843,850</u>	<u>\$ 91,940,394</u>
Other Sources:				
Appropriated Fund Balance	3,560,019	3,894,364	-	1,400,000
Interfund Transfers	<u>125,000</u>	<u>125,000</u>	<u>150,000</u>	<u>1,100,000</u>
Total Revenues and Other Sources	<u>\$ 96,574,303</u>	<u>\$ 96,925,303</u>	<u>\$ 93,993,850</u>	<u>\$ 94,440,394</u>
<u>EXPENDITURES</u>				
General Support	\$ 8,987,974	\$ 11,046,263	\$ 8,237,908	\$ 8,540,193
Instruction	55,635,282	53,818,744	51,387,806	53,400,080
Pupil Transportation	4,241,429	4,270,197	3,527,867	4,255,358
Community Services	-	-	-	-
Employee Benefits	21,981,407	21,353,981	20,185,746	22,173,913
Debt Service	<u>5,618,211</u>	<u>5,618,212</u>	<u>5,615,621</u>	<u>5,910,350</u>
Total Expenditures	<u>\$ 96,464,303</u>	<u>\$ 96,107,397</u>	<u>\$ 88,954,948</u>	<u>\$ 94,279,894</u>
Other Uses:				
Interfund Transfers	<u>110,000</u>	<u>817,906</u>	<u>828,569</u>	<u>160,500</u>
Total Expenditures and Other Uses	<u>\$ 96,574,303</u>	<u>\$ 96,925,303</u>	<u>\$ 89,783,517</u>	<u>\$ 94,440,394</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>4,210,333</u>	<u>-</u>
<u>FUND BALANCE</u>				
Fund Balance - Beginning of Year	-	-	17,900,057	-
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,110,390</u>	<u>\$ -</u>

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

BONDED INDEBTEDNESS

Fiscal Year Ending June 30th	PRIOR TO REFUNDING			Refunded Bonds Debt Service	2021 REFUNDING BONDS			Total New Debt Service
	Principal	Interest	Total		Principal	Interest	Total	
2021	\$ 3,450,000	\$ 675,294	\$ 4,125,294	\$ 41,159	\$ -	\$ -	\$ -	\$ -
2022	3,570,000	551,606	4,121,606	607,319	-	-	-	-
2023	1,785,000	412,944	2,197,944	610,506	-	-	-	-
2024	1,130,000	346,131	1,476,131	607,006	-	-	-	-
2025	1,165,000	310,381	1,475,381	606,881	-	-	-	-
2026	1,055,000	270,331	1,325,331	454,931	-	-	-	-
2027	1,030,000	233,281	1,263,281	397,031	-	-	-	-
2028	665,000	196,300	861,300	-	-	-	-	-
2029	690,000	170,450	860,450	-	-	-	-	-
2030	720,000	143,650	863,650	-	-	-	-	-
2031	740,000	115,550	855,550	-	-	-	-	-
2032	770,000	86,550	856,550	-	-	-	-	-
2033	470,000	63,450	533,450	-	-	-	-	-
2034	430,000	49,350	479,350	-	-	-	-	-
2035	395,000	36,450	431,450	-	-	-	-	-
2036	405,000	24,600	429,600	-	-	-	-	-
2037	415,000	12,450	427,450	-	-	-	-	-
TOTALS	\$ 18,885,000	\$ 3,698,769	\$ 22,583,769	\$ 3,324,834	\$ -	\$ -	\$ -	\$ -

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2013 Capital Project			2014 Refunding of 2005 Series B Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 515,000	\$ 93,906	\$ 608,906	\$ 775,000	\$ 39,200	\$ 814,200
2022	525,000	82,319	607,319	790,000	23,700	813,700
2023	540,000	70,506	610,506	-	-	-
2024	550,000	57,006	607,006	-	-	-
2025	565,000	41,881	606,881	-	-	-
2026	430,000	24,931	454,931	-	-	-
2027	385,000	12,031	397,031	-	-	-
TOTALS	\$ 3,510,000	\$ 382,581	\$ 3,892,581	\$ 1,565,000	\$ 62,900	\$ 1,627,900

Fiscal Year Ending June 30th	2015 Refunding of 2005 Series A Bonds			2016 Refunding of 2008 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,640,000	\$ 202,250	\$ 1,842,250	\$ 210,000	\$ 216,250	\$ 426,250
2022	1,715,000	120,250	1,835,250	220,000	207,850	427,850
2023	690,000	34,500	724,500	230,000	196,850	426,850
2024	-	-	-	245,000	185,350	430,350
2025	-	-	-	255,000	173,100	428,100
2026	-	-	-	270,000	160,350	430,350
2027	-	-	-	280,000	146,850	426,850
2028	-	-	-	295,000	132,850	427,850
2029	-	-	-	305,000	118,100	423,100
2030	-	-	-	325,000	102,850	427,850
2031	-	-	-	340,000	86,600	426,600
2032	-	-	-	355,000	69,600	424,600
2033	-	-	-	370,000	58,950	428,950
2034	-	-	-	380,000	47,850	427,850
2035	-	-	-	395,000	36,450	431,450
2036	-	-	-	405,000	24,600	429,600
2037	-	-	-	415,000	12,450	427,450
TOTALS	\$ 4,045,000	\$ 357,000	\$ 4,402,000	\$ 5,295,000	\$ 1,976,900	\$ 7,271,900

Fiscal Year Ending June 30th	2018 Capital Project		
	Principal	Interest	Total
2021	\$ 310,000	\$ 123,688	\$ 433,688
2022	320,000	117,488	437,488
2023	325,000	111,088	436,088
2024	335,000	103,775	438,775
2025	345,000	95,400	440,400
2026	355,000	85,050	440,050
2027	365,000	74,400	439,400
2028	370,000	63,450	433,450
2029	385,000	52,350	437,350
2030	395,000	40,800	435,800
2031	400,000	28,950	428,950
2032	415,000	16,950	431,950
2033	100,000	4,500	104,500
2034	50,000	1,500	51,500
TOTALS	\$ 4,470,000	\$ 919,388	\$ 5,389,388

FORM OF CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements 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 "Commission"), the District has agreed to provide, or cause to be provided,

- (i) In accordance with the requirements 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 "Commission"), the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Official Statement dated March 10, 2021 of the District relating to the Bonds under the headings "THE SCHOOL DISTRICT", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than Appendix D & E and any Appendix related to bond insurance), and (ii) a copy of the audited financial statements, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2021; such information, data, and audit will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if the audited financial statements are not available at that time, within sixty days following receipt by the District of its audited financial statements for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year;
- (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (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 Bonds, 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 Bonds, or other material events affecting the tax status of the Bonds
 - (g) modifications to rights of bondholders, if material
 - (h) Bond calls, if material and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the District
 - (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material

- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a “financial obligation” of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bond holders, 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 Bonds.

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

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

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

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

- (iii) in a timely manner to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

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

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

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

FORM OF BOND COUNSEL'S OPINION

March 25, 2021

Warwick Valley Central School District
Orange County
State of New York

Re: Warwick Valley Central School District, Orange County, New York
\$2,820,000 School District Refunding (Serial) Bonds, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$2,820,000 School District Refunding (Serial) Bonds, 2021 (the "Obligations"), of the Warwick Valley Central School District, County of Orange, State of New York (the "Obligor"), dated March 25, 2021, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds, in such amounts as hereinafter set forth, bearing interest at the rate of _____ per centum (_____%) per annum, payable on June 15, 2021 and semi-annually thereafter on December 15 and June 15, and maturing in the amount of \$ _____ on June 15, 2021, \$ _____ on June 15, 2022, \$ _____ on June 15, 2023, \$ _____ on June 15, 2024, \$ _____ on June 15, 2025, \$ _____ on June 15, 2026 and \$ _____ on June 15, 2024.

The Obligations are not be subject to redemption prior to maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, 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 Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

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. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations 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 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 Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage 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 municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

**WARWICK VALLEY CENTRAL SCHOOL DISTRICT
ORANGE COUNTY, NEW YORK**

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED 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.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
JUNE 30, 2020
TABLE OF CONTENTS

<u>SCHEDULE NUMBER</u>	<u>SCHEDULES</u>	<u>PAGE</u>
	Independent Auditor's Report	1 – 3
	Management Discussion and Analysis	4 – 14
	Basic Financial Statements	
1	Statement of Net Position	15
2	Statement of Activities	16
3	Balance Sheet – Governmental Funds	17
4	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
6	Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
7	Statement of Fiduciary Net Position	21
8	Statement of Changes in Fiduciary Net Position	22
	Notes to Financial Statements	23 – 61
	Required Supplementary Information	
SS-1	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	62
SS-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	63 – 64
SS-3	Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	65
SS-4	Schedule of District Contributions	66
	Supplementary Information	
SS-5	Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	67
SS-6	Schedule of Capital Projects Fund – Project Expenditures and Financing Resources	68
SS-7	Net Investment in Capital Assets	69
SS-8	Statement of Indebtedness	70
	Federal Award Program Information	
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71 – 72
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliances Required by Uniform Guidance	73 - 74
	Schedule of Expenditures of Federal Awards	75
	Notes to the Schedule of Expenditures of Federal Awards	76
	Schedule of Findings and Questioned Costs	77 - 78
	Extra Classroom Activity Fund	
	Independent Auditor's Report	79 – 80
	Statement of Assets, Liabilities, and Fund Balance – Cash Basis	81
	Statement of Receipts and Disbursements – Cash Basis	82 - 83
	Notes to Financial Statements	84



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of
Warwick Valley Central School District
Warwick, New York 10990

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Warwick Valley 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 Warwick Valley Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Warwick Valley Central School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the Warwick Valley Central School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 14 and 62 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warwick Valley Central School District's basic financial statements. The supplemental schedules on pages 67 through 70 are required by the New York State Education Department and 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* 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 supplemental schedules 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 supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Warwick Valley Central School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the Warwick Valley Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Warwick Valley Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warwick Valley Central School District's internal control over financial reporting and compliance.

Jugent & Haussler, P.C.

Montgomery, New York

September 30, 2020

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

The following is a discussion and analysis of Warwick Valley Central School District's financial performance for the year ended June 30, 2020. The section is a summary of Warwick Valley Central School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Overview of the Financial Statements

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the 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 District acts solely as a *trustee* or *agent* for the benefit of others.

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the 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.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Overview of the Financial Statements (Continued)

Figure A-1 Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/ liability/deferred inflows of resources information	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 during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if applicable), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the 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 District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the 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 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).

The District has two kinds of funds:

- **Governmental Funds:** Most of the 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 District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

The District's net position at June 30, 2020 is a deficit of \$104,530,535. This is a \$4,509,251 decrease from last year's deficit net position of \$100,021,284. The following table provides a summary of the District's net position:

Summary of Net Position

	<u>School District Activities</u>		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>% Change</u>
Current Assets	\$ 28,021,978	\$ 24,892,006	12.57%
Pension Asset	5,124,433	3,636,304	40.92%
Capital Assets, Net	86,457,117	80,924,512	6.84%
Deferred Outflows	40,072,986	30,499,232	31.39%
Total Assets and Deferred Outflows	<u>159,676,514</u>	<u>139,952,054</u>	<u>14.09%</u>
Current Liabilities	16,940,982	10,405,151	62.81%
Pension Liability	6,448,533	1,867,793	245.25%
Long-Term Debt Outstanding	219,002,866	204,066,988	7.32%
Deferred Inflows	21,814,668	23,633,406	-7.70%
Total Liabilities and Deferred Inflows	<u>264,207,049</u>	<u>239,973,338</u>	<u>10.10%</u>
Net Position:			
Net Investment in Capital Assets	50,712,017	47,947,647	5.77%
Restricted	19,492,597	16,209,093	20.26%
Unrestricted	(174,735,149)	(164,178,024)	-6.43%
Total Net Position	<u>\$ (104,530,535)</u>	<u>\$ (100,021,284)</u>	<u>-4.51%</u>

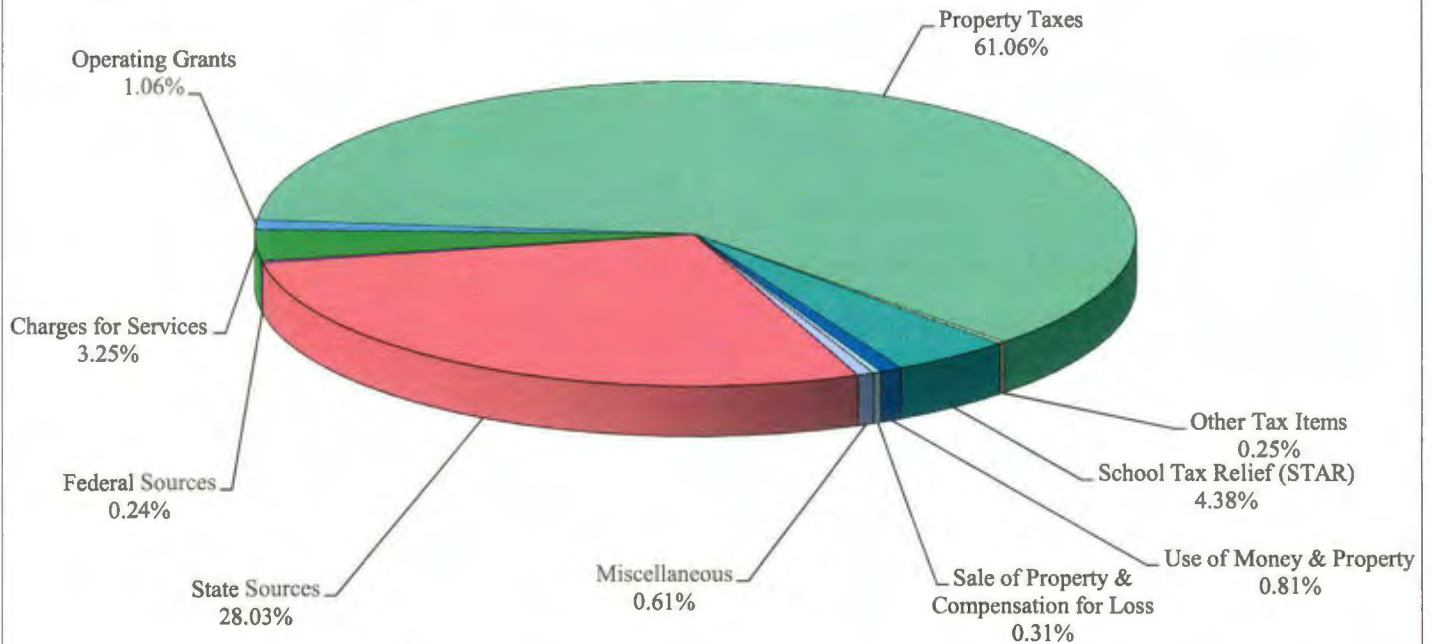
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2020:

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

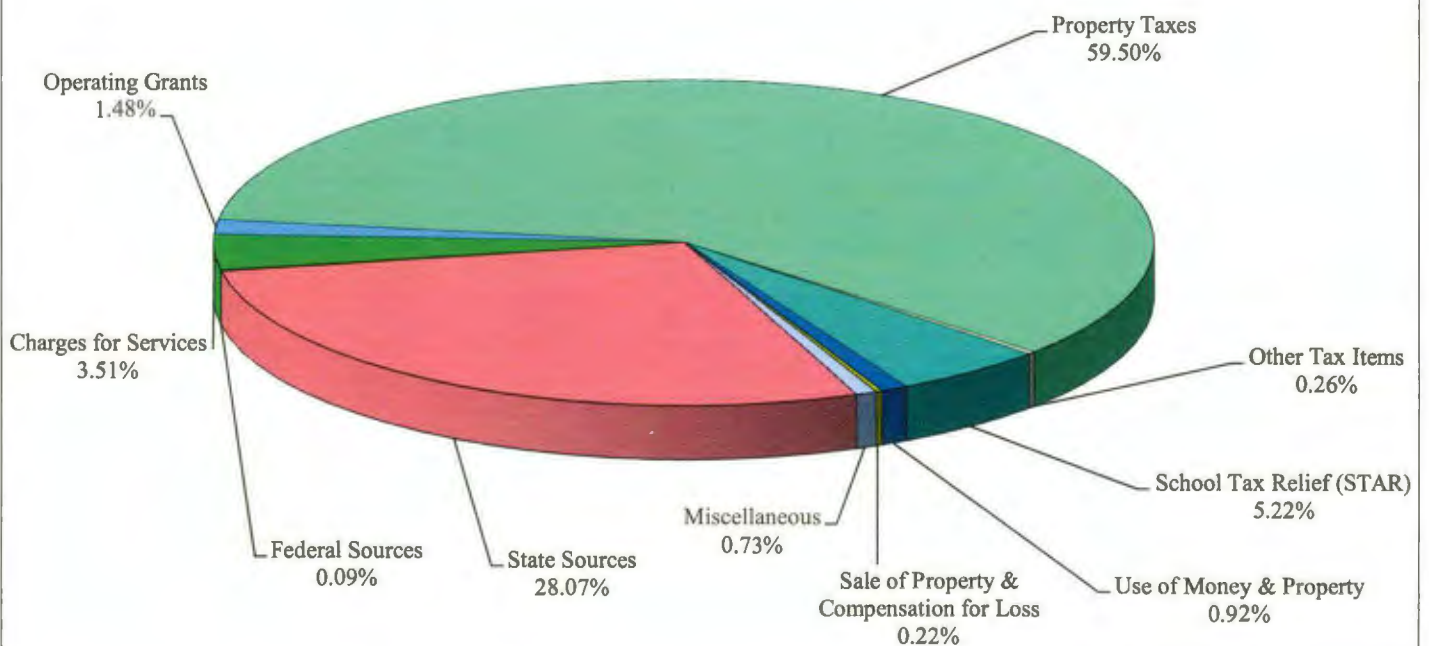
	<u>JUNE 30, 2020</u>	<u>%</u>	<u>JUNE 30, 2019</u>	<u>%</u>	<u>\$ Change</u>	<u>% Change</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 3,125,765	3.25%	\$ 3,327,672	3.51%	\$ (201,907)	-6.07%
Operating Grants	1,018,804	1.06%	1,400,118	1.48%	(381,314)	-27.23%
GENERAL REVENUES:						
Property Taxes	58,714,147	61.06%	56,330,316	59.50%	2,383,831	4.23%
Other Tax Items	235,772	0.25%	246,047	0.26%	(10,275)	-4.18%
School Tax Relief (STAR)	4,213,977	4.38%	4,938,040	5.22%	(724,063)	-14.66%
Use of Money & Property	780,896	0.81%	871,871	0.92%	(90,975)	-10.43%
Sale of Property & Compensation for Loss	294,759	0.31%	205,112	0.22%	89,647	43.71%
Miscellaneous	584,022	0.61%	690,558	0.73%	(106,536)	-15.43%
State Sources	26,953,467	28.03%	26,576,849	28.07%	376,618	1.42%
Federal Sources	234,049	0.24%	89,036	0.09%	145,013	162.87%
TOTAL REVENUES	<u>96,155,658</u>	<u>100.00%</u>	<u>94,675,619</u>	<u>100.00%</u>	<u>1,480,039</u>	<u>1.56%</u>
<u>EXPENSES</u>						
General Support	7,335,550	7.29%	7,017,173	7.53%	318,377	4.54%
Instruction	52,927,771	52.58%	52,695,745	56.56%	232,026	0.44%
Pupil Transportation	3,527,867	3.50%	3,777,598	4.05%	(249,731)	-6.61%
Employee Benefits	31,240,698	31.03%	24,035,337	25.79%	7,205,361	29.98%
Debt Service Interest	872,751	0.87%	973,031	1.04%	(100,280)	-10.31%
Depreciation	3,881,910	3.86%	3,611,076	3.88%	270,834	7.50%
School Lunch Program	878,363	0.87%	1,071,667	1.15%	(193,304)	-18.04%
TOTAL EXPENSES	<u>100,664,910</u>	<u>100.00%</u>	<u>93,181,627</u>	<u>100.00%</u>	<u>7,483,283</u>	<u>8.03%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (4,509,252)</u>		<u>\$ 1,493,992</u>		<u>\$ (6,003,244)</u>	

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK

**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

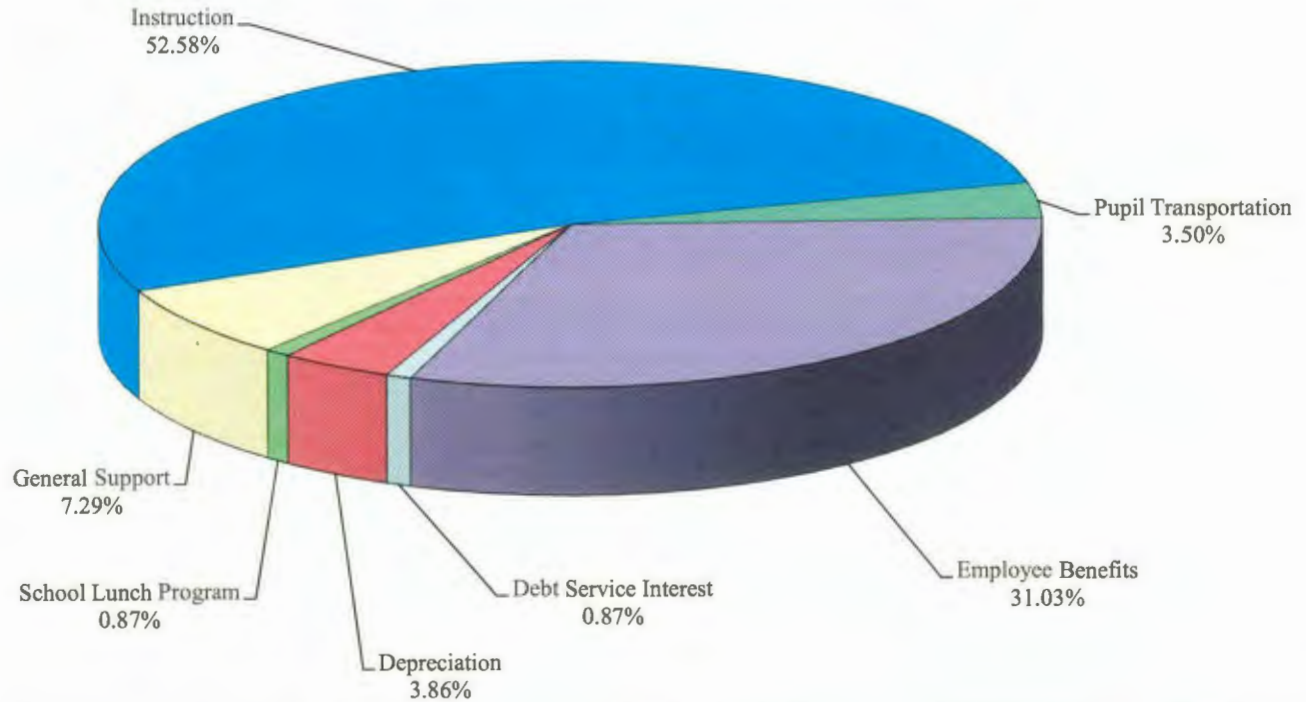


**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

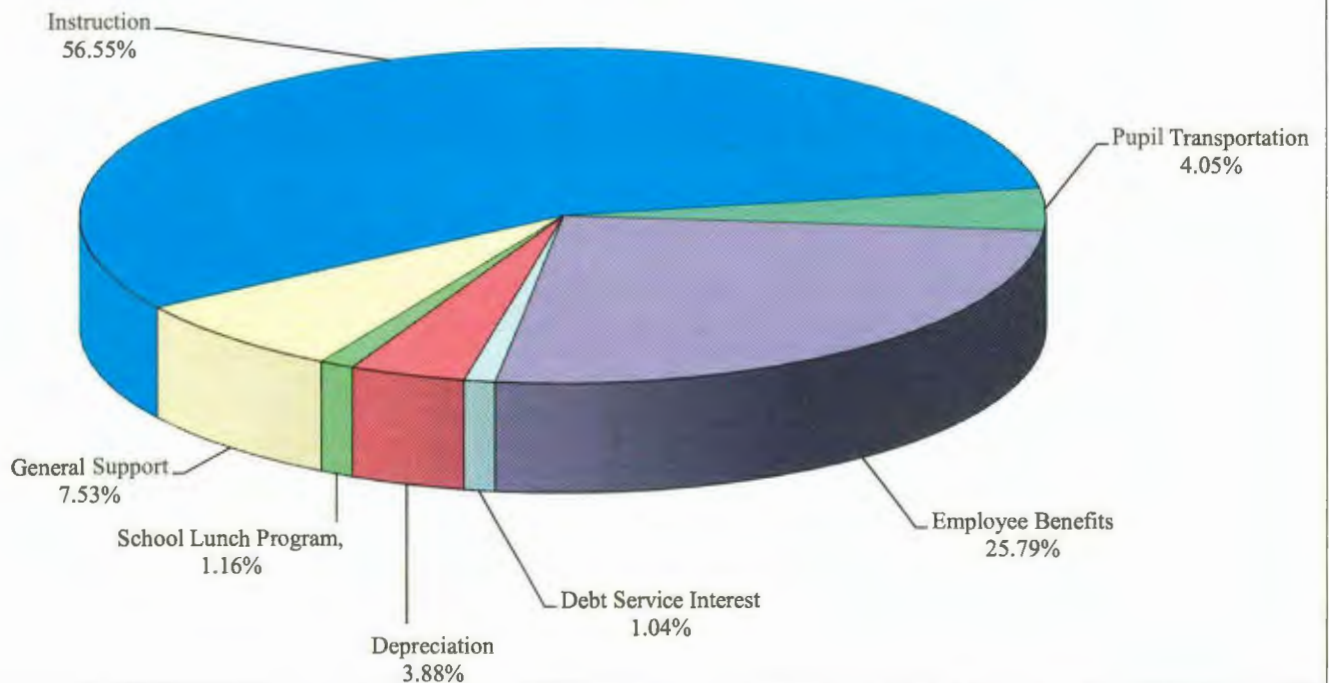


WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK

EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020



EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

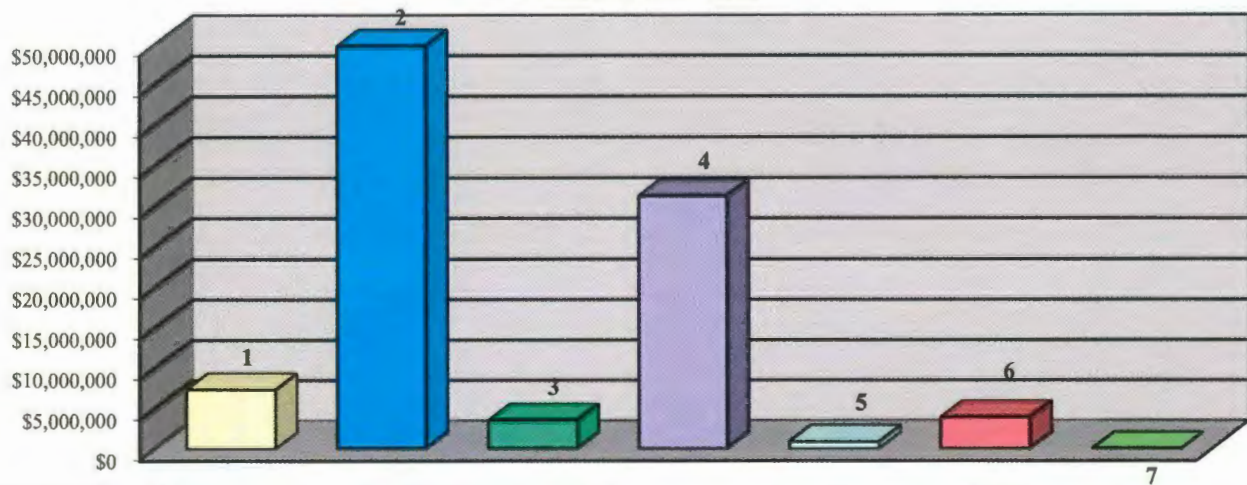


WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

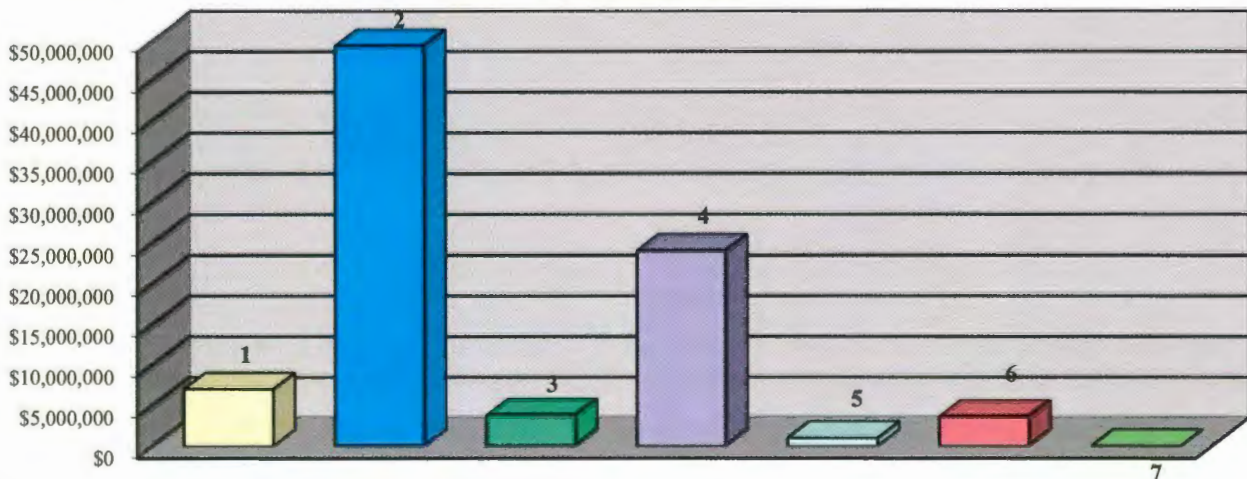
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020	TOTAL COST OF SERVICES 2018-2019	NET COST OF SERVICES 2018-2019
General Support	1	\$ 7,335,550	\$ 7,335,550	\$ 7,017,173	\$ 7,017,173
Instruction	2	52,927,771	49,638,865	52,695,745	49,157,729
Pupil Transportation	3	3,527,867	3,527,867	3,777,598	3,777,598
Employee Benefits	4	31,240,698	31,240,698	24,035,337	24,035,337
Debt Service - Interest	5	872,751	872,751	973,031	973,031
Depreciation	6	3,881,910	3,881,910	3,611,076	3,611,076
School Lunch Program	7	878,363	22,700	1,071,667	(118,107)
		<u>\$ 100,664,910</u>	<u>\$ 96,520,341</u>	<u>\$ 93,181,627</u>	<u>\$ 88,453,837</u>

NET COSTS 2019-2020



NET COSTS 2018-2019



WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Financial Analysis of the District's Funds

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2020					
	Nonspendable	Committed	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 0	\$ 13,725,874	\$ 4,606,815	\$ 3,777,701	\$ 22,110,390
Special Aid	0	0	0	0	0	0
School Lunch	68,493	0	132,431	0	0	200,924
Capital Projects	0	0	0	0	(7,031,485)	(7,031,485)
Debt Service	0	0	509,859	0	0	509,859
	<u>\$ 68,493</u>	<u>\$ 0</u>	<u>\$ 14,368,164</u>	<u>\$ 4,606,815</u>	<u>\$ (3,253,784)</u>	<u>\$ 15,789,688</u>

	June 30, 2019					
	Nonspendable	Committed	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 0	\$ 11,214,977	\$ 2,885,019	\$ 3,800,061	\$ 17,900,057
Special Aid	0	0	0	0	0	0
School Lunch	26,271	0	294,714	0	0	320,985
Capital Projects	0	0	438,521	0	0	438,521
Debt Service	0	0	624,577	0	0	624,577
	<u>\$ 26,271</u>	<u>\$ 0</u>	<u>\$ 12,572,789</u>	<u>\$ 2,885,019</u>	<u>\$ 3,800,061</u>	<u>\$ 19,284,140</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$351,000 during the year. The supplemental appropriations consisted of an appropriation of the Capital Reserve for Bus Purchases and donations for instructional costs.

In the General Fund for the year ended June 30, 2020, actual revenues were greater than revised budgeted revenues by \$937,911 (1.00%). Revenue sources most significantly greater than the budgeted amount were Sale of property and Compensation for Loss, Charges for Services and Federal Sources. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$3,934,971 (4.06%). The most significant unencumbered balances related to instructional expenses for teaching – regular school in the amount of \$939,523, employee benefits in the amount of \$1,150,655, and transportation in the amount of \$537,299. Effective budget management and close monitoring contributed to these unencumbered appropriations. Additionally, expenditure needs were impacted due to the pandemic.

For the year 2020-2021, the District appropriated \$1,400,000 of fund balance to reduce the tax levy.

Factors that continue to affect the budget process are as follows:

- New York State Aid revenues may be affected due to state wide budget constraints.
- Employee benefits, including health benefits and teachers' and employees' retirement continue to rise.
- Current economic conditions are expected to reduce future revenues and increase costs.
- Costs related to pandemic instructional and safety needs.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Management believes that the budget adopted for 2020-2021 should be adaptable to any adverse changes that may arise based on the above factors.

New York State Legislature contains legislation, Chapter 97 of the Laws of 2011 that established a “property tax cap” on the amount that a school district’s property tax levy can increase each year. This legislation specifies that property taxes levied by a school district generally cannot increase by more than two percent, or the rate of inflation, whichever is less. The law does allow school districts to levy an additional amount for certain excludable expenditures. School districts can adopt a tax levy that exceeds the statutory limit if the budget that is presented to the public is approved by sixty percent of the votes cast.

Other Fund Highlights

The Special Aid Fund ended the year with no fund balance. During the year, expenditures were equal to revenues.

The School Lunch Program Fund ended the year with a fund balance of \$200,924. The expenditures exceeded revenues by \$120,061, due in large part to a reduction in sales during the pandemic.

The Capital Projects Fund ended the year with a deficit fund balance of \$7,031,485. The current year expenditures were related to ongoing District-Wide Reconstruction.

Debt Service Fund ended the year with a fund balance of \$509,859. Expenditures consisted of a \$150,000 transfer to the general fund.

Capital Asset and Debt Administration

Capital Assets

The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2020 was \$86,457,117. The total increase in this net investment was 6.84% for the District as a whole (see schedule below). The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2019, was \$80,924,512. The District expended \$9,414,515 to acquire and construct capital assets during the year ended June 30, 2020, and depreciation expense for the year was \$3,881,910.

CAPITAL ASSETS

Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 1,014,654	\$ 1,014,654	0.00%
Construction in Progress	13,677,016	6,767,591	102.10%
<u>Depreciable Assets:</u>			
Building and Improvements	62,554,381	64,421,137	-2.90%
Furniture and Equipment	6,691,028	6,628,495	0.94%
Vehicles	2,520,038	2,092,635	20.42%
TOTALS	<u>\$ 86,457,117</u>	<u>\$ 80,924,512</u>	6.84%

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Long-Term Debt

At the end of the year, the District had total bonded debt outstanding of \$18,885,000 and installment debt outstanding of \$7,818,388. This amount is backed by the full faith and credit of Warwick Valley Central School District with debt service fully funded by voter approved property taxes. Activity in long-term debt outstanding during the year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Serial Bond	\$ 4,015,000	\$ 0	\$ 505,000	\$ 3,510,000
Serial Bond	2,325,000	0	760,000	1,565,000
Serial Bond	5,620,000	0	1,575,000	4,045,000
Serial Bond	5,500,000	0	205,000	5,295,000
Serial Bond	4,775,000	0	305,000	4,470,000
Total Bonded Debt Outstanding	22,235,000	0	3,350,000	18,885,000
Installment Purchase Debt	8,746,580	0	928,192	7,818,388
Total Bonds and Notes Payable	<u>\$ 30,981,580</u>	<u>\$ 0</u>	<u>\$ 4,278,192</u>	<u>\$ 26,703,388</u>

Bond Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy Holmes, Assistant Superintendent for Business, at the District's business offices at the School's Business Offices at 225 West St., Warwick, New York 10990.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

ASSETS

Unrestricted Cash	\$ 10,311,111
Restricted Cash	15,344,309
State & Federal Aid Receivable	2,242,251
Other Receivables, Net	30,792
Inventories	68,493
Net Pension Asset, Proportionate Share (TRS)	5,124,433
Non Depreciable Capital Assets	14,691,670
Depreciable Capital Assets, Net	71,765,447
TOTAL ASSETS	119,603,528

DEFERRED OUTFLOWS OF RESOURCES

Pension Plans (ERS & TRS)	21,573,683
Other Postemployment Benefits	18,353,924
Deferred Charges on Refunding	145,379
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,072,986

LIABILITIES

Accounts Payable	169,494
Accrued Liabilities	888,825
Due to Other Governments	12,109
Due to Fiduciary Funds	6,355
Due to Teachers' Retirement System	3,178,059
Due to Employees' Retirement System	414,066
Other Liabilities	28,993
Bond Anticipation Notes	7,763,929
Unearned Revenues	68,469
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	3,744,032
Installment Purchase Debt	666,651
Due and Payable In More Than One Year:	
Bonds Payable	16,574,443
Installment Purchase Debt	7,151,737
Compensated Absences	429,844
Other Postemployment Benefits	194,846,842
Net Pension Liability, Proportionate Share (ERS)	6,448,533
TOTAL LIABILITIES	242,392,381

DEFERRED INFLOWS OF RESOURCES

Pension Plans (ERS & TRS)	7,106,468
Other Postemployment Benefits	14,708,200
TOTAL DEFERRED INFLOWS OF RESOURCES	21,814,668

NET POSITION

Net Investment in Capital Assets	50,712,017
Restricted	19,492,597
Unrestricted	(174,735,149)
TOTAL NET POSITION	\$ (104,530,535)

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
		EXPENSES	CHARGES FOR SERVICES	
<u>FUNCTIONS & PROGRAMS</u>				
General Support	\$ (10,579,248)	\$ 0	\$ 0	\$ (10,579,248)
Instruction	(82,352,194)	2,460,479	828,427	(79,063,288)
Pupil Transportation	(5,616,878)	0	0	(5,616,878)
Debt Service – Interest	(872,751)	0	0	(872,751)
School Lunch Program	(1,243,839)	665,286	190,377	(388,176)
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (100,664,910)</u>	<u>\$ 3,125,765</u>	<u>\$ 1,018,804</u>	<u>(96,520,341)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				58,714,147
Other Tax Items				4,449,749
Use of Money & Property				780,896
Sale of Property & Compensation for Loss				294,759
Miscellaneous				584,022
State Sources				26,953,467
Federal Sources				234,049
TOTAL GENERAL REVENUES				<u>92,011,089</u>
CHANGE IN NET POSITION				(4,509,252)
NET POSITION, BEGINNING OF YEAR				<u>(100,021,283)</u>
NET POSITION, END OF YEAR				\$ (104,530,535)

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Unrestricted Cash	\$ 10,203,975	\$ 383	\$ 106,753	\$ 0	\$ 0	\$ 10,311,111
Restricted Cash	13,725,874	0	132,431	1,008,832	477,172	15,344,309
State & Federal Aid Receivable	1,563,862	678,389	0	0	0	2,242,251
Due from Other Governments	0	0	25,022	0	0	25,022
Due from Other Funds	1,639,217	394,902	11,945	250,000	35,304	2,331,368
Other Receivables, Net	30,792	0	0	0	0	30,792
Inventories	0	0	68,493	0	0	68,493
TOTAL ASSETS	<u>\$ 27,163,720</u>	<u>\$ 1,073,674</u>	<u>\$ 344,644</u>	<u>\$ 1,258,832</u>	<u>\$ 512,476</u>	<u>\$ 30,353,346</u>
<u>LIABILITIES & FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 169,494	\$ 0	\$ 0	\$ 0	\$ 0	\$ 169,494
Accrued Liabilities	575,739	0	15,077	0	0	590,816
Due to Other Governments	0	0	380	11,729	0	12,109
Due to Other Funds	680,624	1,073,674	59,794	514,659	2,617	2,331,368
Due to Fiduciary Funds	6,355	0	0	0	0	6,355
Due to Teachers' Retirement System	3,178,059	0	0	0	0	3,178,059
Due to Employees' Retirement System	414,066	0	0	0	0	414,066
Other Liabilities	28,993	0	0	0	0	28,993
Bond Anticipation Notes	0	0	0	7,763,929	0	7,763,929
Unearned Revenues	0	0	68,469	0	0	68,469
TOTAL LIABILITIES	<u>5,053,330</u>	<u>1,073,674</u>	<u>143,720</u>	<u>8,290,317</u>	<u>2,617</u>	<u>14,563,658</u>
<u>FUND BALANCES</u>						
Fund Balance:						
Nonspendable:	0	0	68,493	0	0	68,493
Restricted:	13,725,874	0	132,431	0	509,859	14,368,164
Assigned:	4,606,815	0	0	0	0	4,606,815
Unassigned:	3,777,701	0	0	(7,031,485)	0	(3,253,784)
TOTAL FUND BALANCES	<u>22,110,390</u>	<u>0</u>	<u>200,924</u>	<u>(7,031,485)</u>	<u>509,859</u>	<u>15,789,688</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 27,163,720</u>	<u>\$ 1,073,674</u>	<u>\$ 344,644</u>	<u>\$ 1,258,832</u>	<u>\$ 512,476</u>	<u>\$ 30,353,346</u>

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
 WARWICK, NEW YORK
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<u>ASSETS</u>				
Unrestricted Cash	\$ 10,311,111	\$ 0	\$ 0	\$ 10,311,111
Restricted Cash	15,344,309	0	0	15,344,309
State & Federal Aid Receivable	2,242,251	0	0	2,242,251
Due from Other Funds	2,331,368	0	(2,331,368)	0
Other Receivables, Net	30,792	0	0	30,792
Inventories	68,493	0	0	68,493
Net Pension Asset, Proportionate Share (TRS)	0	5,124,433	0	5,124,433
Non Depreciable Capital Assets	0	14,691,670	0	14,691,670
Capital Assets, Net	0	71,765,447	0	71,765,447
TOTAL ASSETS	30,353,346	91,581,550	(2,331,368)	119,603,528
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Plans (ERS & TRS)	0	21,573,683	0	21,573,683
Other Postemployment Benefits	0	18,353,924	0	18,353,924
Deferred Charges on Refunding	0	145,379	0	145,379
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	40,072,986	0	40,072,986
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 30,353,346	\$ 131,654,536	\$ (2,331,368)	\$ 159,676,514
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 169,494	\$ 0	\$ 0	\$ 169,494
Accrued Liabilities	590,816	298,009	0	888,825
Due to Other Governments	12,109	0	0	12,109
Due to Other Funds	2,331,368	0	(2,331,368)	0
Due to Fiduciary Funds	6,355	0	0	6,355
Due to Teachers' Retirement System	3,178,059	0	0	3,178,059
Due to Employees' Retirement System	414,066	0	0	414,066
Other Liabilities	28,993	0	0	28,993
Bond Anticipation Notes	7,763,929	0	0	7,763,929
Unearned Revenues	68,469	0	0	68,469
Bonds Payable	0	20,318,475	0	20,318,475
Installment Purchase Debt	0	7,818,388	0	7,818,388
Compensated Absences	0	429,844	0	429,844
Other Postemployment Benefits	0	194,846,842	0	194,846,842
Net Pension Liability, Proportionate Share (ERS)	0	6,448,533	0	6,448,533
TOTAL LIABILITIES	14,563,658	230,160,091	(2,331,368)	242,392,381
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Plans (ERS & TRS)	0	7,106,468	0	7,106,468
Other Postemployment Benefits	0	14,708,200	0	14,708,200
TOTAL DEFERRED INFLOWS OF RESOURCES	0	21,814,668	0	21,814,668
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	14,563,658	251,974,759	(2,331,368)	264,207,049
FUND BALANCES / NET POSITION	15,789,688	(120,320,223)	0	(104,530,535)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES / NET POSITION	\$ 30,353,346	\$ 131,654,536	\$ (2,331,368)	\$ 159,676,514

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 58,714,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,714,147
Other Tax Items	4,449,749	0	0	0	0	4,449,749
Charges for Services	2,460,479	0	0	0	0	2,460,479
Use of Money & Property	780,085	0	802	9	0	780,896
Sale of Property & Compensation for Loss	294,759	0	0	0	0	294,759
Miscellaneous	529,440	0	19,300	0	35,282	584,022
State Sources	26,355,011	591,625	6,831	0	0	26,953,467
Federal Sources	260,180	828,427	164,246	0	0	1,252,853
Sales	0	0	665,286	0	0	665,286
TOTAL REVENUES	93,843,850	1,420,052	856,465	9	35,282	96,155,658
<u>EXPENDITURES</u>						
General Support	8,237,908	0	0	0	0	8,237,908
Instruction	51,387,806	1,467,885	0	0	0	52,855,691
Pupil Transportation	3,527,867	0	0	0	0	3,527,867
Employee Benefits	20,185,746	100,073	108,826	0	0	20,394,645
Debt Service:						
Principal	4,579,153	0	0	0	0	4,579,153
Interest	1,036,468	0	0	0	0	1,036,468
Cost of Sales	0	0	878,363	0	0	878,363
Capital Outlay	0	0	0	8,440,977	0	8,440,977
TOTAL EXPENDITURES	88,954,948	1,567,958	987,189	8,440,977	0	99,951,072
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	4,888,902	(147,906)	(130,724)	(8,440,968)	35,282	(3,795,414)
<u>OTHER SOURCES & USES</u>						
BANS Redeemed from Appropriations	0	0	0	300,962	0	300,962
Operating Transfers In	150,000	147,906	10,663	670,000	0	978,569
Operating Transfers Out	(828,569)	0	0	0	(150,000)	(978,569)
TOTAL OTHER SOURCES & USES	(678,569)	147,906	10,663	970,962	(150,000)	300,962
EXCESS (DEFICIENCY) REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	4,210,333	0	(120,061)	(7,470,006)	(114,718)	(3,494,452)
FUND BALANCES, BEGINNING OF YEAR	17,900,057	0	320,985	438,521	624,577	19,284,140
FUND BALANCES, END OF YEAR	\$ 22,110,390	\$ 0	\$ 200,924	\$ (7,031,485)	\$ 509,859	\$ 15,789,688

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
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

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 58,714,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,714,147
Other Tax Items	4,449,749	0	0	0	0	4,449,749
Charges for Services	2,460,479	0	0	0	0	2,460,479
Use of Money & Property	780,896	0	0	0	0	780,896
Sale of Property & Compensation for Loss	294,759	0	0	0	0	294,759
Miscellaneous	584,022	0	0	0	0	584,022
State Sources	26,953,467	0	0	0	0	26,953,467
Federal Sources	1,252,853	0	0	0	0	1,252,853
Sales	665,286	0	0	0	0	665,286
TOTAL REVENUES	96,155,658	0	0	0	0	96,155,658
<u>EXPENDITURES</u>						
General Support	8,237,908	71,180	499,421	0	1,770,739	10,579,248
Instruction	52,855,691	72,080	3,115,368	0	26,309,055	82,352,194
Pupil Transportation	3,527,867	0	213,876	0	1,875,135	5,616,878
Employee Benefits	20,394,645	10,846,053	0	0	(31,240,698)	0
Debt Service:						
Principal	4,579,153	0	0	(4,579,153)	0	0
Interest	1,036,468	72,948	0	(236,665)	0	872,751
Cost of Sales	878,363	0	53,245	0	312,231	1,243,839
Capital Outlay	8,440,977	0	(9,414,515)	0	973,538	0
TOTAL EXPENDITURES	99,951,072	11,062,261	(5,532,605)	(4,815,818)	0	100,664,910
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	(3,795,414)	(11,062,261)	5,532,605	4,815,818	0	(4,509,252)
<u>OTHER SOURCES & USES</u>						
BANS Redeemed from Appropriations	300,962	0	0	(300,962)	0	0
Operating Transfers In	978,569	0	0	0	(978,569)	0
Operating Transfers Out	(978,569)	0	0	0	978,569	0
TOTAL OTHER SOURCES & USES	300,962	0	0	(300,962)	0	0
NET CHANGE FOR THE YEAR	\$ (3,494,452)	\$ (11,062,261)	\$ 5,532,605	\$ 4,514,856	\$ 0	\$ (4,509,252)

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 161,477	\$ 332,761
Due from Other Funds	<u>5,895</u>	<u>2,733</u>
TOTAL ASSETS	<u>\$ 167,372</u>	<u>\$ 335,494</u>
<u>LIABILITIES & NET POSITION</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 340	\$ 1,933
Extraclassroom Activity Balances	0	218,335
Other Liabilities	<u>0</u>	<u>115,226</u>
TOTAL LIABILITIES	<u>340</u>	<u>\$ 335,494</u>
<u>NET POSITION</u>		
Reserved for Endowment, Scholarship, and Gift Funds	<u>167,032</u>	
TOTAL LIABILITIES & NET POSITION	<u>\$ 167,372</u>	

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 26,755
Investment Earnings	<u>243</u>
TOTAL ADDITIONS	<u>26,998</u>
<u>DEDUCTIONS</u>	
Scholarships & Awards	20,884
Other Expenses	<u>0</u>
TOTAL DEDUCTIONS	<u>20,884</u>
CHANGE IN NET POSITION	6,114
NET POSITION, BEGINNING OF YEAR	<u>160,918</u>
NET POSITION, END OF YEAR	<u><u>\$ 167,032</u></u>

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of Warwick Valley Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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. Where comparative amounts are presented, certain reclassifications may have been made to the prior year amounts so that they would be in conformity with the current year's presentation. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

Warwick Valley Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 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.

1. 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 respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture

The District is a component district in the Orange Ulster County Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component 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 ended June 30, 2020, Warwick Valley Central School District was billed \$10,888,326 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,891,164. Financial statements for BOCES are available from the BOCES administrative office at 53 Gibson Road, Goshen, NY 10924.

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Basis of Presentation (Continued)

2. Funds Statements

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

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 Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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.

The District reports the following fiduciary funds:

Fiduciary Fund: 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 in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on August 26, 2019. Taxes were collected by the District during the period September 1, 2019 through October 31, 2019.

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

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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. Interfund Transactions

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions (Continued)

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund 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 estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

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 United States and its agencies and obligations of the State and its municipalities and Districts.

J. Accounts Receivable

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

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 which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

K. Inventories and Prepaid Items (Continued)

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

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.

M. Capital Assets

Capital assets are reported at cost for acquisitions. For assets acquired prior to June 30, 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land Improvements	\$ 5,000	Straight Line	20 years
Buildings and Improvements	5,000	Straight Line	20 - 50 years
Furniture and Equipment	5,000	Straight Line	5 - 15 years
Vehicles	5,000	Straight Line	8 years

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 government has three items that qualify for reporting in this category. The first is related to pensions reported in the district-wide Statement of Net Position and 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, see Note 8. The second deferred outflow is related to other postemployment benefits reported in the Statement of Net Position, see Note 10. The third deferred outflow is related to deferred charges associated with a bond refunding.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district – wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, see Note 8. The second is related to other postemployment benefits reported in the Statement of Net Position, see Note 10.

O. Unavailable/Unearned Revenue

Unavailable revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned/unavailable revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding year. Consequently, such amounts are recognized as revenue in the subsequent year, rather than when measurable and available.

Unavailable revenues recorded in governmental funds are typically adjusted and not included in the district-wide statements.

P. Vested Employee Benefits

1. Compensated Absences

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

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

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

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Vested Employee Benefits (Continued)

1. Compensated Absences (Continued)

In the funds 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.

2. Other Benefits

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

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

Q. Short-Term Debt

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any 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 year succeeding the year in which the note was issued.

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

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

R. 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 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.

S. Equity Classifications

1. 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 position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

2. Fund Statements

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

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory in the School Lunch Fund of \$68,493.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Capital Reserve

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding 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.

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth year after deposit of these monies. The reserve is accounted for in the General fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Workers' Compensation

Reserve for Workers Compensation (GML §6-j) must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions to the Employees Retirement System (ERS). 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. The 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 Teacher's Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund 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.

Repair Reserve

Repair Reserve (GML §6-d) must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

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.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance at June 30, 2020 consisted of:

General Fund:	
Capital Reserve	\$ 5,963,113
Repair Reserve	702,355
Workers' Compensation Reserve	551,369
Unemployment Insurance Reserve	164,597
Tax Certiorari Reserve	1,013,142
Employee Benefit Accrued Liability Reserve	1,334,755
Retirement Contribution Reserve - ERS	2,689,735
Retirement Contribution Reserve - TRS	1,306,808
School Lunch Fund	132,431
Capital Fund	0
Debt Service Fund	509,859
Total Restricted Fund Balance	<u>\$ 14,368,164</u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balance as committed 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. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in the governmental funds other than the General Fund, the District has assigned those amounts to the purposes of the respective funds. Assigned fund balance in the General Fund includes \$3,206,815 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended June 30, 2020. This assignment is made when purchase orders are approved by the Purchasing Agent who is designated each year by the Board of Education at its annual reorganizational meeting pursuant to the District's purchasing policy. Assigned fund balance in the General Fund also includes \$1,400,000 assigned to be used to reduce the tax levy for the year ending June 30, 2021. This assignment is made when the tax levy is set by the Board of Education pursuant to the District's annual budget policy.

Encumbrances	\$ 3,206,815
Appropriated to Reduce Subsequent Year's Tax Levy	1,400,000
Total Assigned Fund Balance	<u>\$ 4,606,815</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Limitation on Unexpended Surplus Funds:

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

T. New Accounting Standards

GASB has issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the several pronouncements were postponed by one year. Effective dates provided in Note U have been updated to reflect this.

U. Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 87, *Leases*, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB has issued Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information of certain component units. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

GASB has issued Statement 91, *Conduit Debt Obligations*, which will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB has issued Statement 92, *Omnibus 2020*, which will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will improve financial reporting by establishing the definitions of public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2020 were as follows:

Original Cost of Capital Assets	\$ 163,468,421
Accumulated Depreciation	(77,011,304)
	<u>\$ 86,457,117</u>

2. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expensed when it is due, and thus requires the use of current financial resources. This liability at June 30, 2020 was as follows:

Accrued Interest Payable	<u>\$ 298,009</u>
--------------------------	-------------------

3. Long-term liabilities and related deferred inflows and outflows are reported in the Statement of Net Position, but not in the Balance Sheet, because the liabilities are not due and payable in the current period. The balances at June 30, 2020 were as follows:

Bonds Payable	\$ 20,318,475
Installment Purchase Debt	7,818,388
Compensated Absences	429,844
Other Postemployment Benefits	194,846,842
Deferred Outflows - OPEB	(18,353,924)
Deferred Inflows - OPEB	14,708,200
	<u>\$ 219,767,825</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

4. Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The balance at June 30, 2020 was as follows:

Deferred Charges on Refunding	<u>\$ 145,379</u>
-------------------------------	-------------------

5. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily resulting from contributions subsequent to the measurement date and changes in the components of the net pension liability or asset are recorded. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2020 were as follows:

Net Pension Asset, Proportionate Share (TRS)	\$ 5,124,433
Deferred Outflows of Resources - Pension	21,573,683
Net Pension Liability, Proportionate Share (ERS)	(6,448,533)
Deferred Inflows of Resources - Pension	<u>(7,106,468)</u>
	<u>\$ 13,143,115</u>

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

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

3. Long-Term Debt Transaction Differences

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

4. Pension Plan Related Differences

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

5. Other Postemployment Benefit (OPEB) Related 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.

Explanation of Differences between Governmental Funds Operating Statement
and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in Governmental Funds (Schedule 5)	\$ 97,134,227
Operating transfers from other funds are recognized as an other funding source in the governmental fund statements, but are eliminated in the Statement of Activities.	<u>(978,569)</u>
Total revenues in the Statement of Activities (Schedule 2)	<u>\$ 96,155,658</u>

Total Expenditures & Other Uses/Expenses

Total expenditures and other uses reported in Governmental Funds (Schedule 5)	\$ 100,929,641
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$9,414,515 exceeded depreciation of \$3,881,910 in the current year.	(5,532,605)

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND
STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

Explanation of Differences between Governmental Funds Operating Statement
and the Statement of Activities

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which compensated absences earned exceeded the amount used during the year.	143,260
In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost, and changes in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year.	6,341,563
Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year exceeds the interest payable last year.	72,948
Repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities and Changes in Net Position.	(4,579,153)
Premiums and discounts on long-term debt issuances and deferred amounts from debt refunding are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities. This is the net amount that was amortized during the fiscal year.	(236,665)
(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. (TRS of \$3,500,022 and ERS of \$1,004,468).	4,504,490
Operating transfers to other funds are recognized as other uses of funds in the governmental fund statements, but are eliminated in the Statement of Activities.	<u>(978,569)</u>
Total expenses in the Statement of Activities (Schedule 2)	<u>\$ 100,664,910</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. 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 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. Supplemental appropriations that occurred during the year are shown on Supplemental Schedule #5. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

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

B. Encumbrances

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

NOTE 4. CASH – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

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

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4. CASH – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL. (Continued)

Uncollateralized	\$ 0
Insured	\$ 1,436,723
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 24,738,339

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$ 15,344,309 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5. CAPITAL ASSETS.

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,014,654	\$ 0	\$ 0	\$ 1,014,654
Construction in Progress	6,767,591	7,451,823	(542,398)	13,677,016
Total Nondepreciable Assets	7,782,245	7,451,823	(542,398)	14,691,670
Capital assets that are depreciated:				
Buildings and Improvements	122,516,063	705,220	392,398	123,613,681
Furniture & Equipment	15,952,906	410,071	145,550	16,508,527
Vehicles	8,040,302	847,401	(233,160)	8,654,543
Total Depreciable Assets	146,509,271	1,962,692	304,788	148,776,751
Less: Accumulated Depreciation	(73,367,004)	(3,881,910)	237,610	(77,011,304)
Capital Assets, Net	\$ 80,924,512	\$ 5,532,605	\$ 0	\$ 86,457,117

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 499,421
Instruction	3,115,368
Transportation	213,876
School Lunch Program	53,245
Total Depreciation	\$ 3,881,910

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. SHORT-TERM LIABILITIES

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each twelve-month period thereafter. For short-term financing, the Warwick Valley Central School District redeems (pays down) one-fifth (1/5) of the original BAN borrowing.

State law requires that BAN's issued for capital purposes are converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of June 30, 2020, three bond anticipation notes (BANs) were outstanding for a total amount of \$7,763,929. These temporary funds were borrowed to assist with financing ongoing bus purchases and construction projects.

The following is a summary of Warwick Valley Central School District's outstanding bond anticipation notes at June 30, 2020.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
BAN	07/25/2019	07/24/2020	1.89%	\$ 616,149
BAN	07/06/2019	07/05/2020	1.25%	6,890,400
BAN	10/08/2019	07/24/2020	1.82%	257,380
				<u>\$ 7,763,929</u>

Interest in short-term debt paid during the year was:

Interest Paid	\$ 27,514
Less: Interest Accrued in the Prior Year	(377)
Plus: Interest Accrued in the Current Year	<u>100,775</u>
Interest Expense	<u>\$ 127,912</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. LONG-TERM LIABILITIES.

Long-term liability balances and activity for the year ended June 30, 2020 are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable*	\$ 23,962,507	\$ -	\$ 3,644,032	\$ 20,318,475	\$3,744,032
Installment Purchase Debt	8,746,580	0	928,192	7,818,388	666,651
Total Bonds and Notes Payable	32,709,087	0	4,572,224	28,136,863	4,410,683
Other Liabilities:					
Compensated Absences	286,584	143,260	0	429,844	0
Other Postemployment Benefits	175,643,541	23,303,301	4,100,000	194,846,842	0
Net Pension Liability	1,867,793	4,580,740	0	6,448,533	
Total Other Liabilities	177,797,918	28,027,301	4,100,000	201,725,219	0
Total Long-Term Liabilities	\$ 210,507,005	\$28,027,301	\$ 8,672,224	\$ 229,862,082	\$4,410,683

* At June 30, 2020, the Bonds Payable includes unamortized premiums of \$1,433,475. This amount is being amortized over the life of the debt issuance to which it relates.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences. Activity for compensated absences is shown at net due to the impracticality of determining these amounts separately. Activity for Other Postemployment Benefits and Net Pension Liability have also been shown as net figures.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bond – Construction	01/01/2013	01/01/2027	Variable	\$ 3,510,000
Serial Bond – Advanced Refunding	12/15/2014	01/15/2022	Variable	1,565,000
Serial Bond – Advanced Refunding	04/16/2015	06/15/2023	Variable	4,045,000
Serial Bond – Advanced Refunding	08/10/2016	05/15/2037	Variable	5,295,000
Serial Bond - Construction	07/02/2018	06/15/2034	Variable	4,470,000
				<u>\$ 18,885,000</u>
Installment Debt	06/26/2013	06/26/2028	2.78%	\$ 2,321,916
Energy Performance Contract	08/17/2017	07/15/2032	2.495%	5,185,000
Municipal Equipment Lease	05/20/2019	07/15/2023	4.790%	311,472
				<u>\$ 7,818,388</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. LONG-TERM LIABILITIES. (Continued)

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable		Other Liabilities	
	Principal	Interest	Principal	Interest
2021	\$ 3,450,000	\$ 675,294	\$ 666,651	\$ 189,786
2022	3,570,000	551,606	687,440	174,087
2023	1,785,000	412,944	709,597	157,922
2024	1,130,000	346,131	731,138	141,287
2025	1,165,000	310,381	667,666	124,162
2026 – 2030	4,160,000	1,014,007	2,974,896	355,074
2031 – 2035	2,805,000	351,350	1,381,000	52,358
2036 – 2040	820,000	37,050	0	0
TOTAL	<u>\$ 18,885,000</u>	<u>\$ 3,698,763</u>	<u>\$ 7,818,388</u>	<u>\$ 1,194,676</u>

In prior years, the District defeased certain general 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. Of the bonds outstanding, \$13,445,000 are considered defeased.

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

Interest paid	\$ 1,008,954
Less: Interest accrued in the prior year	(224,684)
Less: Amortization of premium and deferred amount	(236,665)
Plus: Interest accrued in the current year	197,233
Total interest expense	<u>\$ 744,839</u>

NOTE 8. PENSION PLANS.

Pension Obligations

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

Plan Description & Benefits Provided

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS 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 fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

In November, 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. Separately issued financial statements for the System can be accessed on the Comptroller's website at www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at www.nystrs.org.

ERS Benefits Provided

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

Tiers 1 and 2

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

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

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Tiers 3, 4, and 5

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

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

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

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

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Disability Retirement Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

TRS Benefits Provided

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

Tier 1

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

Tier 2

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

Tier 3

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Tier 4

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

Tier 5

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

Tier 6

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

Service Retirements

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

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

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

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

Vested Benefits

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Disability Retirement

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

Death Benefits

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

Prior Service

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

Tier Reinstatement

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

Permanent Cost of Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index not to exceed 3% nor be lower than 1%. It is applied to the \$18,000 of the annual benefit. The applicable percentage payable beginning September 2019 is 1.0%.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determines rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

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

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2019 – 2020	\$ 2,944,335	\$ 1,346,577
2018 – 2019	3,487,237	1,320,307
2017 – 2018	3,210,860	1,324,237

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension liability/(asset) 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. 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.

At March 31, 2020, the District's proportion of the NYSERS net pension asset/(liability) was .0243519%, which is a decrease of .000201% from its proportion measured as of March 31, 2019.

At June 30, 2019, the District's proportion of the NYSTRS net pension asset/(liability) was .197245%, which was a decrease of .003849% as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,438,317 and \$6,436,444 for ERS and TRS, respectively. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 379,522	\$ 3,472,698	\$ 3,852,220
Changes of Assumptions	129,843	9,680,740	9,810,583
Net difference between projected and actual earnings on pension plan investments	3,305,831	0	3,305,831
Changes in proportion and difference between the District's contributions and proportionate share of contributions	599,166	594,545	1,193,711
District's contributions subsequent to the measurement date	414,066	2,997,272	3,411,338
Total	<u>\$ 4,828,428</u>	<u>\$ 16,745,255</u>	<u>\$ 21,573,683</u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

	Deferred Inflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ -	\$ 381,063	\$ 381,063
Changes of Assumptions	112,117	2,360,438	2,472,555
Net difference between projected and actual earnings on pension plan investments	0	4,109,531	4,109,531
Changes in proportion and difference between the District's contributions and proportionate share of contributions	125,233	18,086	143,319
District's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 237,350</u>	<u>\$ 6,869,118</u>	<u>\$ 7,106,468</u>

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

Year Ended:	<u>ERS</u>	<u>TRS</u>
2020	\$ 0	\$ 2,426,064
2021	802,401	254,804
2022	1,076,791	2,417,661
2023	1,290,304	1,647,666
2024	1,007,517	255,729
Thereafter	0	(123,059)

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2020	June 30, 2019
Investment Rate of Return	6.80% compounded annually, net of investment expense	7.10% compounded annually, net of investment expense
Projected Salary Increases	4.2%	1.90% - 4.72% Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience
Projected Cost of Living Adjustments	1.3%, compounded annually	1.3%, compounded annually
Decrement Tables	Actual experience study for the period April 1, 2010 through March 31, 2015	Actual experience study for the period July 1, 2009 through June 30, 2014
Inflation Rate	2.5%	2.20%
Mortality Improvement	Society of Actuaries Scale MP-2018	Society of Actuaries Scale MP-2018

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

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 (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 Real Rates of Return are presented by asset allocation classification, which differ from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS	
	March 31, 2020	
	Target Allocation	Long-term expected real rate of return*
Asset Class:		
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	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	4%	0.50%
Total	100%	

Measurement Date	TRS	
	June 30, 2019	
	Target Allocation	Long-term expected real rate of return*
Asset Class:		
Domestic Equities	33%	6.30%
International Equities	16%	7.80%
Global Equities	4%	7.20%
Real Estate Equities	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	1%	0.30%
	100%	

*Real rates of return are net of long-term inflation assumptions of 2.5% for ERS and 2.2% for TRS

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8% for ERS and 6.10% for TRS) or 1-percentage-point higher (7.8% for ERS and 8.10% for TRS) than the current rate:

<u>ERS</u>	<u>1% Decrease 5.80%</u>	<u>Current Assumption 6.80%</u>	<u>1% Increase 7.80%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (11,834,879)	\$ (6,448,533)	\$ (1,487,686)
<u>TRS</u>	<u>1% Decrease 6.10%</u>	<u>Current Assumption 7.10%</u>	<u>1% Increase 8.10%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (23,131,157)	\$ 5,124,433	\$ 28,827,686

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurements dates were as follows:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement Date	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Employers' total pension asset/(liability)	\$ (194,596,261)	\$ (119,879,474)
Plan net position	168,115,682	122,477,481
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ration of plan net position to the employers' total pension asset/(liability)	86.39%	102.20%

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. PENSION PLANS. (Continued)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contributions 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 \$414,066.

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 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 \$3,178,059.

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

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

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,639,217	\$ 686,979	\$ 150,000	\$ 828,569
Special Aid Fund	394,902	1,073,674	147,906	0
School Lunch Fund	11,945	59,794	10,663	0
Capital Fund	250,000	514,659	670,000	0
Debt Service Fund	35,304	2,617	0	150,000
Total Governmental Activities	2,331,368	2,337,723	978,569	978,569
Fiduciary Fund	8,628	2,273	0	0
Totals	<u>\$ 2,339,996</u>	<u>\$ 2,339,996</u>	<u>\$ 978,569</u>	<u>\$ 978,569</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Special Education Program not funded by aid from New York State.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS.

General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan (“the District’s OPEB plan”), provides OPEB for eligible retired employees, their spouses and their dependent children. The District’s OPEB plan is a single-employer defined benefit OPEB plan administered by the District based on employment contracts. As these employment contracts are renegotiated, eligibility and benefits may change over time. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District’s OPEB plan subsidizes the cost of healthcare eligible retired employees, their spouses and their dependent children. Minimum eligibility requirements for postemployment benefits are as follows:

- The retiree has attained age 55 years while in the employment of the District and meets the follow service requirements:
 - Service requirements range from 5 to 15 years of service based on the employment category (contract) and date of hire.
- The retiree is receiving retirement benefits from the NYS Employees’ Retirement System or the NYS Teachers’ Retirement System

The retiree is required to make a contribution towards the cost of coverage; contributions vary not only according to employment category (contract). The District reimburses Medicare Part B premiums for retirees who met the eligibility requirements at the time of retirement. In addition, the District will reimburse Medicare Part B premiums some future retirees.

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	526
Active employees	<u>418</u>
Total Employees Covered by Benefit Terms	<u><u>944</u></u>

Total OPEB Liability

The District’s total OPEB liability of \$194,846,842 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Inflation Rate	2.5%
Projected Salary Increases	3.80%
Discount Rate	3.51%
Healthcare Cost Trend Rates	Pre-65: 7.50% for 2018, decreasing to an ultimate rate of 4.50% for 2027 and later years
	Post-65: 8.35% for 2018, decreasing to an ultimate rate of 4.50% for 2027 and later years
Current Retirees' Share of Benefit Related Costs	Retirees pay 0% - 18% of the cost of single/family coverage and 0% - 20% for the spouse/family based on years of service with the District.
Future Retirees' Share of Benefit Related Costs	Retirees pay 0% - 18% of the cost of single/family coverage and 0% - 20% for the spouse/family based on years of service with the District.

The discount rate was based on a review of the yield derived from the Bond Buyer 20 GO Bond Index.

Mortality rates were based on the PUB-2010 Headcount Weighted Mortality Table projected generationally with MP-2018 from the central year.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017 - June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 175,643,541</u>
<u>Changes for the Year:</u>	
Service cost	5,613,209
Interest	6,936,054
Differences between expected and actual experience	(354,811)
Changes in assumptions or other inputs	11,108,849
Benefit payments	<u>(4,100,000)</u>
Net Changes	<u>19,203,301</u>
Balance at June 30, 2020	<u><u>\$ 194,846,842</u></u>

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

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

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 231,156,031	\$ 194,846,842	\$ 166,116,794

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 161,665,355	\$ 194,846,842	\$ 238,198,670

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 \$11,194,777. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,183,611	\$ 297,583
Changes of assumptions or other inputs	9,317,099	\$ 14,410,617
District's contributions subsequent to the measurement date	4,853,214	0
Total	<u>\$ 18,353,924</u>	<u>\$ 14,708,200</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2021	\$ (1,354,486)
2022	(1,354,486)
2023	(1,354,486)
2024	562,495
2025	1,946,567
Thereafter	349,906

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11. RISK MANAGEMENT.

General Information

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

Pool, Non-Risk Retained

The District participates in the Orange/Ulster School District Health Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 21 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of the limit, and the District has essentially transferred all related risk to the pool.

NOTE 12. 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.

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports \$429,844 for accumulating, non-vesting sick leave.

NOTE 13. ENCUMBRANCES

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. Encumbrances of appropriations of budgets for the year ended June 30, 2020 have been included in the assigned fund balance of the General Fund and in the restricted fund balance of all other funds at June 30, 2020 as follows:

General Fund	\$ 3,206,815
School Lunch Fund	8,700
Capital Projects Fund	592,449
Total Encumbrances	<u>\$ 3,807,964</u>

NOTE 14. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15. TAX ABATEMENTS.

The District negotiates property tax abatement agreements on an individual basis. The District has tax abatement agreements with four entities as of June 30, 2020:

Full Assessed Value	Full Tax	PILOT's Received	Tax Abated
\$ 6,223,901	\$ 754,635	\$ 201,944	\$ 552,691

Each agreement was negotiated under municipal law, allowing localities to abate property taxes for a variety of development purposes, including business relocation, retention and expansion. The abatements may be granted to any business located within or promising to relocate to a local government's geographic area. Localities may grant abatements up to 50% of annual property taxes through a direct reduction of the entity's property tax bill. The municipal law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

The District has not made any commitments as part of the agreements other than to reduce property taxes. The District is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through September 30, 2020 the date that the financial statements were available to be issued. On August 13, 2020, the New York State Division of the Budget (DOB) issued the *FY 2021 First Quarterly State Budget Financial Plan Update* which notes that, in the absence of Federal action since enactment of the fiscal year 2021 budget, DOB began withholding 20% of most local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any.

In July, DOB began approving General Support for Public Schools (GSPS) payments to school districts (including 3609-a General Aid, 3609-b Excess Cost Aid, and 3609-d BOCES Aid payments) at 80% of the otherwise scheduled amounts.

DOB's Updated Financial Plan includes \$8.2 billion in recurring local aid reductions, and states that the earliest DOB expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State's FY 2021, and that, in the absence of unrestricted Federal aid, DOB will continue to withhold a range of payments through the second quarter of FY 2021.

No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	6/30/2019	6/30/2018	6/30/2017
<u>Total OPEB Liability</u>			
Service Cost	\$ 5,613,209	\$ 4,873,490	\$ 5,898,252
Interest Cost	6,936,054	6,036,044	5,280,626
Differences Between Expected and Actual Experiences	(354,811)	6,059,669	-
Changes of Assumptions	11,108,849	(3,081,876)	(22,932,781)
Benefit Payments	(4,100,000)	(3,915,352)	(3,895,465)
Net change in total OPEB liability	19,203,301	9,971,975	(15,649,368)
Total OPEB liability - beginning	175,643,541	165,671,566	181,320,934
Total OPEB liability - ending	<u>\$ 194,846,842</u>	<u>\$ 175,643,541</u>	<u>\$ 165,671,566</u>
Covered-employee payroll	\$ 36,443,762	\$ 37,149,561	\$ 37,067,690
Total OPEB liability as a percentage of covered-employee payroll	534.65%	472.80%	446.94%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits

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

06/30/19	3.51%
06/30/18	3.87%
06/30/17	3.58%
06/30/16	2.85%

Underlying claims were updated to reflect the most recent claims experience for the 6/30/18 period.

For the 6/30/19 period, the mortality assumption was the PUB-2010 Headcount Weighted Mortality Table with projection scale MP-2018 varying based on Bargaining Unit Classification.

For the 6/30/19 period, the salary scale was updated to service-based tables from ERS and TRS.

For the 6/30/19 period, healthcare cost trend rates were updated based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on provisions of the benefits sponsored by the District.

*GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
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	CURRENT YEAR'S REVENUES	OVER (UNDER) FINAL BUDGET
<u>REVENUES</u>				
LOCAL SOURCES:				
Real Property Taxes	\$ 62,936,123	\$ 62,936,123	\$ 62,928,124	\$ (7,999)
Other Tax Items	236,231	236,231	235,772	(459)
Charges for Services	2,239,000	2,239,000	2,460,477	221,477
Use of Money & Property	644,789	644,789	780,087	135,298
Sale of Property & Compensation for Loss	5,000	6,000	294,759	288,759
Miscellaneous	430,000	445,655	529,440	83,785
STATE SOURCES	26,363,141	26,363,141	26,355,011	(8,130)
FEDERAL SOURCES	<u>35,000</u>	<u>35,000</u>	<u>260,180</u>	<u>225,180</u>
TOTAL REVENUES	92,889,284	92,905,939	93,843,850	<u>\$ 937,911</u>
OTHER FINANCING SOURCES:				
Operating Transfers In	125,000	125,000	150,000	
Appropriated Fund Balance and Reserves	3,560,019	3,894,364	0	
TOTAL REVENUES & OTHER FINANCING SOURCES	<u>\$ 96,574,303</u>	<u>\$ 96,925,303</u>	<u>\$ 93,993,850</u>	

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<u>EXPENDITURES</u>					
GENERAL SUPPORT:					
Board of Education	\$ 53,690	\$ 57,973	\$ 29,305	\$ 40	\$ 28,628
Central Administration	1,230,797	1,338,180	1,264,954	8,299	64,927
Finance	48,553	50,700	49,583	0	1,117
Staff	670,893	604,934	400,132	55,889	148,913
Central Services	5,738,062	7,737,376	5,367,602	1,991,613	378,161
Special Items	1,245,979	1,257,100	1,126,332	3,928	126,840
INSTRUCTIONAL:					
Instruction, Administration & Improvement	1,298,924	1,157,317	1,045,947	25,200	86,170
Teaching – Regular School	33,878,357	32,736,027	31,423,469	373,035	939,523
Programs for Children with Handicapping Conditions	15,548,938	14,182,364	13,404,320	420,243	357,801
Occupational Education	1,738,220	1,739,143	1,682,055	22	57,066
Teaching – Special Schools	75,538	118,437	118,226	0	211
Instructional Media	3,095,305	3,885,456	3,713,789	105,935	65,732
PUPIL TRANSPORTATION	4,241,429	4,270,197	3,527,867	205,031	537,299
EMPLOYEE BENEFITS	21,981,407	21,353,981	20,185,746	17,580	1,150,655
DEBT SERVICE:					
Debt Service – Principal	4,494,693	4,494,693	4,579,153	0	(84,460)
Debt Service – Interest	1,123,518	1,123,519	1,036,468	0	87,051
TOTAL EXPENDITURES	96,464,303	96,107,397	88,954,948	3,206,815	3,945,634
OTHER USES:					
Operating Transfers Out	110,000	817,906	828,569	0	(10,663)
TOTAL EXPENDITURES & OTHER USES	\$ 96,574,303	\$ 96,925,303	89,783,517	\$ 3,206,815	\$ 3,934,971
EXCESS (DEFICIT) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES			\$ 4,210,333		

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

NYSERS Pension Plan
Last 10 Fiscal Years*

	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016
District's proportion of the net pension asset/(liability)	0.0243519%	0.0263615%	0.0269218%	0.0268400%	0.0277215%
District's proportionate share of the net pension asset/(liability)	\$ (6,448,533)	\$ (1,867,793)	\$ (868,888)	\$ (2,521,949)	\$ (4,449,372)
District's covered-employee payroll	\$ 9,268,411	\$ 9,004,066	\$ 8,888,856	\$ 8,610,079	\$ 7,820,115
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-69.58%	-20.74%	-9.78%	-29.29%	-56.90%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%

NYSTRS Pension Plan
Last 10 Fiscal Years*

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension asset/(liability)	0.197245%	0.201094%	0.203463%	0.207144%	0.206867%
District's proportionate share of the net pension asset/(liability)	\$ 5,124,433	\$ 3,636,304	\$ 1,546,522	\$ (2,218,599)	\$ 21,486,913
District's covered-employee payroll	\$ 33,231,768	\$ 34,258,691	\$ 34,878,991	\$ 32,778,391	\$ 32,202,894
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	15.42%	10.61%	4.43%	-6.77%	66.72%
Plan fiduciary net position as a percentage of the total pension liability	102.20%	101.53%	100.66%	99.01%	110.46%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that the year of implementation was 6/30/14, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

NYSERS Pension Plan
Last 10 Fiscal Years*

	<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>
Contractually required contribution	\$ 1,309,696	\$ 1,313,769	\$ 1,313,582	\$ 1,260,192	\$ 1,366,255
Contributions in relation to the contractually required contribution	<u>1,309,696</u>	<u>1,313,769</u>	<u>1,313,582</u>	<u>1,260,192</u>	<u>1,366,255</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 9,268,411	\$ 9,004,066	\$ 8,888,856	\$ 8,610,079	\$ 7,820,115
Contributions as a percentage of its covered-employee payroll	14.13%	14.59%	14.78%	14.64%	17.47%

NYSTRS Pension Plan
Last 10 Fiscal Years*

	<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>
Contractually required contribution	\$ 3,496,461	\$ 3,210,079	\$ 3,778,788	\$ 3,975,322	\$ 4,306,617
Contributions in relation to the contractually required contribution	<u>3,496,461</u>	<u>3,210,079</u>	<u>3,778,788</u>	<u>3,975,322</u>	<u>4,306,617</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 33,231,768	\$ 34,258,691	\$ 34,878,991	\$ 32,778,391	\$ 32,202,894
Contributions as a percentage of its covered-employee payroll	10.52%	9.37%	10.83%	12.13%	13.37%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that the year of implementation was 6/30/14, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
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 TO FINAL BUDGET

ADOPTED BUDGET	\$ 95,089,284
ADDITIONS:	
Encumbrances from Prior Year	<u>1,485,019</u>
ORIGINAL BUDGET	96,574,303
BUDGET REVISIONS:	
Budget Amendments for Appropriation from Reserves:	
Capital Reserve - Buses	350,000
Budget Amendment for Grants and Donations:	
Instruction	<u>1,000</u>
REVISED BUDGET	<u><u>\$ 96,925,303</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020–2021 Voter-approved expenditure budget maximum allowed (4% of 2020–2021 budget, \$94,440,394)	<u>\$ 3,777,616</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 4,606,815
Unassigned Fund Balance	<u>3,777,701</u>
Total Unrestricted Fund Balance	<u>8,384,516</u>
Less:	
Appropriated Fund Balance	1,400,000
Encumbrances Included in Committed and Assigned Fund Balance	<u>3,206,815</u>
Total Adjustments	<u>4,606,815</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 3,777,701</u></u>
Actual Percentage	4.00%

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			UNEXPENDED BALANCE	METHODS OF FINANCING			FUND BALANCE JUNE 30, 2020
			PRIOR YEARS	CURRENT YEAR	TOTAL		PROCEEDS FROM DEBT	STATE & LOCAL SOURCES	TOTAL	
District-wide Improvements	\$ 16,932,433	\$ 18,108,489	\$ 17,348,938	\$ 0	\$ 17,348,938	\$ 759,551	\$ 10,911,631	\$ 6,437,307	\$ 17,348,938	\$ 0
Buses 2012-2013	530,000	530,000	530,000	0	530,000	0	0	530,000	530,000	0
Buses 2014-2015	270,000	270,000	270,000	0	270,000	0	0	270,000	270,000	-
Phase III Renovation	8,000,000	8,000,000	7,949,345	41,864	7,991,209	8,791	4,875,000	3,125,000	8,000,000	8,791
Buses 2015-2016	225,000	225,000	225,000	0	225,000	0	0	180,000	180,000	(45,000)
Smart School Bond Act	2,213,192	2,212,633	1,501,628	333,681	1,835,309	377,324	0	1,501,636	1,501,636	(333,673)
Buses 2016-2017	591,000	591,000	591,000	0	591,000	0	0	454,600	454,600	(136,400)
Energy Performance Contract - Solar Field	5,733,030	5,733,030	5,733,030	0	5,733,030	0	5,733,030	0	5,733,030	0
District-wide Reconstruction	10,450,000	10,450,000	2,713,070	6,969,649	9,682,719	767,281	0	3,559,600	3,559,600	(6,123,119)
Sanfordville Elementary Well System - Emergency Project	150,000	150,000	68,361	21,538	89,899	60,101	0	150,000	150,000	60,101
Sanfordville Elementary Fire Alarm - Emergency Project	200,000	200,000	192,398	-	192,398	7,602	0	200,000	200,000	7,602
High School Security Upgrades - Emergency Project	200,000	200,000	200,000	-	200,000	0	0	200,000	200,000	0
Buses - 2018	510,000	510,000	501,511	0	501,511	8,489	0	200,604	200,604	(300,907)
Middle School Generator	400,000	400,000	399,999	0	399,999	1	0	400,000	400,000	1
Buses - 2019	485,000	485,000	466,059	-	466,059	18,941	0	339,861	339,861	(126,198)
Library Technology project	400,000	395,932	0	394,410	394,410	1,522	395,932	0	395,932	1,522
Sanfordville Elementary Boiler - Emergency Project	150,000	150,000	150,000	-	150,000	0	0	150,000	150,000	0
High School Pool Boiler - Emergency Project	35,000	35,000	34,370	-	34,370	630	0	0	0	(34,370)
Buses - 2020	608,000	608,000	0	607,325	607,325	675	0	350,000	350,000	(257,325)
Bus - Emergency Purchase	70,000	70,000	0	70,000	70,000	-	0	70,000	70,000	0
High School Auditorium Wall	250,000	250,000	0	2,510	2,510	247,490	0	250,000	250,000	247,490
	<u>\$ 48,402,655</u>	<u>\$ 49,574,084</u>	<u>\$ 38,874,709</u>	<u>\$ 8,440,977</u>	<u>\$ 47,315,686</u>	<u>\$ 2,258,398</u>	<u>\$ 21,915,593</u>	<u>\$ 18,368,608</u>	<u>\$ 40,284,201</u>	<u>\$ (7,031,485)</u>

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL ASSETS, NET		\$ 86,457,117
ADDITIONS:		
Unspent Capital Asset Financing	\$ 10,313	
Deferred Charges on Refunding	<u>145,379</u>	
Total Additions		155,692
DEDUCTIONS:		
Bond Anticipation Notes Payable	\$ 7,763,929	
Short-term Portion of Bonds Payable	3,744,032	
Long-term Portion of Bonds Payable	16,574,443	
Short-term Portion of Installment Debt	666,651	
Long-term Portion of Installment Debt	<u>7,151,737</u>	
Total Deductions		<u>(35,900,792)</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 50,712,017</u></u>

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

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2020

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING FISCAL YEAR	AMOUNT OF INTEREST ACCRUED AT JUNE 30, 2020
<u>BANS PAYABLE</u>									
Buses	7/26/2018	7/26/2019	3.00%	\$ 917,111	0	\$ 917,111	0	\$ 27,514	0
Buses	7/25/19	7/24/20	1.89%	0	616,149	0	616,149	0	11,454
District-Wide	7/6/19	7/5/20	1.25%	0	6,890,400	0	6,890,400	0	84,714
Buses	10/8/19	7/24/20	1.82%	0	257,380	0	257,380	0	4,607
Total Short Term				917,111	7,763,929	917,111	7,763,929	27,514	100,775
<u>BONDS PAYABLE</u>									
Serial Bond – Construction	1/1/2013	1/1/2027	Various	4,015,000	0	505,000	3,510,000	105,269	3,606
Serial Bond – Advanced Refunding	12/15/2014	1/15/2022	Various	2,325,000	0	760,000	1,565,000	54,400	21,353
Serial Bond – Advanced Refunding	4/16/2015	6/15/2023	5.000%	5,620,000	0	1,575,000	4,045,000	281,000	8,312
Serial Bond – Advanced Refunding	8/10/2016	5/15/2037	Various	5,500,000	0	205,000	5,295,000	224,450	26,693
Serial Bond – Construction	7/2/2018	6/15/2034	Various	4,775,000	0	305,000	4,470,000	129,788	22,534
Total Bonds				22,235,000	0	3,350,000	18,885,000	794,906	82,497
<u>INSTALLMENT DEBT</u>									
2013 Refinance	3/25/2013	12/15/2019	2.27%	266,690	0	266,690	0	6,061	0
2013 Contract	6/26/2013	6/26/2028	2.78%	2,577,958	0	256,042	2,321,916	71,667	707
2017 Energy Performance Contract	08/17/17	07/15/32	2.495%	5,506,000	0	321,000	5,185,000	133,370	112,353
2019 Municipal Equipment Lease	05/20/19	07/15/23	4.790%	395,932	0	84,460	311,472	2,950	1,676
Total Installment Debt				8,746,580	0	928,192	7,818,388	214,048	114,737
TOTAL INDEBTEDNESS				<u>\$ 31,898,691</u>	<u>\$ 7,763,929</u>	<u>\$ 5,195,303</u>	<u>\$ 34,467,317</u>	<u>\$ 1,036,468</u>	<u>\$ 298,009</u>

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



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

To the President and Members
of the Board of Education of the
Warwick Valley Central School District
Warwick, New York 10990

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

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 fiduciary fund of the Warwick Valley 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 Warwick Valley Central School District's basic financial statements and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

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

To the President and Members
of the Board of Education of the
Warwick Valley Central School District

Page 2

Compliance and Other Matters

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

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.

Montgomery, New York
September 30, 2020



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

To the President and Members
of the Board of Education of the
Warwick Valley Central School District
Warwick, New York 10990

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Report on Compliance for Each Major Federal Program

We have audited the Warwick Valley 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 the Warwick Valley Central School District's major federal programs for the year ended June 30, 2020. Warwick Valley 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 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 the Warwick Valley 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 the Warwick Valley 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 the Warwick Valley Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warwick Valley 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 the Warwick Valley 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 the Warwick Valley 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 the Warwick Valley 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Montgomery, New York
September 30, 2020

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASSED THROUGH TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA – Part B, Section 611	84.027A	0032-20-0699	\$ 335,152	\$ 548,864
IDEA – Part B, Section 619	84.173A	0033-20-0699	9,856	30,418
Total Special Education Cluster			345,008	579,282
Title I Parts A&D, Basic Program	84.010A	0021-19-2290	0	4,462
Title I Parts A&D, Basic Program	84.010A	0021-20-2290	0	143,432
Title II Part A, Teacher & Principal Training & Recruiting	84.367A	0147-20-2290	0	73,171
Title IV Part A	84.424A	0204-20-2290	27,780	28,080
Total Passed-through NYS Education Department			372,788	828,427
TOTAL U.S. DEPARTMENT OF EDUCATION			372,788	828,427
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A	0	116,079
National School Breakfast Program	10.553	N/A	0	20,113
Cash Assistance Subtotal			0	136,192
Non-Cash Assistance (food distribution)				
Commodity Supplemental Food Program	10.555	N/A	0	28,054
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER			0	164,246
TOTAL FEDERAL AWARDS EXPENDED			\$ 372,788	\$ 992,673

The accompanying notes are an integral part of the schedule.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION.

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. The District's policy is not to charge federal award programs with indirect costs.

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 and 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. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$28,054 of commodities under the Commodity Supplemental Food Program (CFDA 10.555).

NOTE 3. 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.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Opinion Issued: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses _____ Yes X None Reported

Type of Auditor's Opinion Issued on Compliance for
Major Programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 2 CFR-200.516(a)?? _____ Yes X No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.027A, 84.173A	IDEA Cluster (Section 611 and 619)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings relating to the financial statements which were required to be reported.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance.



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Warwick Valley Central School District
Warwick, New York 10990

We have audited the accompanying financial statements of the extraclassroom activity funds of Warwick Valley Central School District, which comprise of the statement of assets, liabilities, and fund balance—cash basis as of June 30, 2020, and the related statement of receipts and disbursements—cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Warwick Valley Central School District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the extraclassroom activity funds of Warwick Valley Central School District as of June 30, 2020, and its receipts and disbursements – cash basis for the year then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Mugger & Hausler, P.C.

Montgomery, New York
September 30, 2020

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE – CASH BASIS
JUNE 30, 2020

ASSETS

Cash	\$ 218,335
------	------------

FUND BALANCE

Fund Balance, Beginning of Year	\$ 173,274
Excess of Receipts over Disbursements	<u>45,061</u>
Fund Balance, End of Year	<u>\$ 218,335</u>

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
EXTRACLASROOM ACTIVITY FUND - HIGH SCHOOL
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	CASH BALANCE JUNE 30, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020
Class of 2018	\$ 4,518	\$ 0	\$ 4,518	\$ 0
Class of 2019	281	0	0	281
Class of 2020	2,448	37,097	32,491	7,054
Class of 2021	3,159	17,225	18,981	1,403
Class of 2022	1,927	638	450	2,115
Class of 2023	0	1,379	225	1,154
Art Club	1,140	0	0	1,140
Autism Club	0	294	0	294
Band	6,172	9,256	7,358	8,070
Cats Meow Club	773	0	0	773
Chorus	1,353	15,335	13,830	2,858
Drama Club	33,960	16,199	23,191	26,968
Empty Bowls	1,344	1,033	488	1,889
Environmental Club	2,024	0	0	2,024
FBLA	559	0	0	559
FFA	2,776	14,475	10,956	6,295
History Club	13	0	0	13
Homecoming Club	1,505	2,386	3,091	800
Interact Club	64	0	0	64
Mock Trial	100	0	0	100
Model UN	0	275	260	15
Mu Alpha Theta	1,427	368	490	1,305
National Honor Society	6,720	2,164	5,153	3,731
OCAL	26	0	0	26
Omega Yearbook	1,346	0	976	370
Orchestra Club	127	3,543	2,874	796
Physics	134	585	0	719
Robotics / Lego League	2,200	2,700	602	4,298
SADD	2,734	95	44	2,785
Sales Tax	1,448	4,091	3,700	1,839
Senior Project	572	0	0	572
Student Senate	39,900	11,813	5,725	45,988
Survey	168	0	0	168
Wire Choir	0	195,561	144,372	51,189
Youth-in-Government	78	0	0	78
	<u>\$ 120,996</u>	<u>\$ 336,512</u>	<u>\$ 279,775</u>	<u>\$ 177,733</u>

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
EXTRACLASSROOM ACTIVITY FUND - MIDDLE SCHOOL
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	CASH BALANCE JUNE 30, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020
Band	\$ 1,347	\$ 4,066	\$ 4,355	\$ 1,058
Drama Club	20,833	5,175	5,480	20,528
Guitar Club	2,138	3,426	2,465	3,099
Junior FFA	211	0	0	211
Mileage Club	1,213	1,729	1,550	1,392
National Junior Honor Society	0	2,775	2,700	75
Odyssey of the Mind	4,106	10,458	5,477	9,087
Sales Tax	224	663	612	275
Student Senate	5,338	7,061	7,552	4,847
Ukulele	0	1,700	1,670	30
Wire Choir	16,868	3,000	19,868	0
	<u>\$ 52,278</u>	<u>\$ 40,053</u>	<u>\$ 51,729</u>	<u>\$ 40,602</u>

See notes to financial statements.

WARWICK VALLEY CENTRAL SCHOOL DISTRICT
WARWICK, NEW YORK
EXTRACLASROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of Warwick Valley Central School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of Warwick Valley Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.