

NEW ISSUE

BOND ANTICIPATION NOTES

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

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

\$2,100,000

WAVERLY CENTRAL SCHOOL DISTRICT

TIOGA & CHEMUNG COUNTIES, NEW YORK

GENERAL OBLIGATIONS

\$2,100,000 Bond Anticipation Notes, 2019

(the "Notes")



Dated: October 3, 2019

Due: June 30, 2020

The Notes are general obligations of the Waverly Central School District, Tioga and Chemung Counties, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "THE NOTES – Nature of Obligation" and "TAX LEVY LIMITATION LAW" herein. The Notes will not be subject to redemption prior to maturity.

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

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

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about October 3, 2019.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on September 24, 2019 by no later than 11:00 A.M., Eastern Time, pursuant to the Notice of Sale. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the School District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

September 16, 2019

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

WAVERLY CENTRAL SCHOOL DISTRICT TIOGA AND CHEMUNG COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2019-2020 BOARD OF EDUCATION

PARVIN MENSCH
President

COLLEEN TALADA
Vice President

JENNIFER VAUGHN
RENEE KINSLEY
DONALD MATTISON
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* * * * *

ERIC KNOLLES
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School District Business Administrator

PAMELA BEARD
School District Treasurer

MICHELLE KEENE
School District Clerk



School District Attorney



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



TRESPASZ & MARQUARDT, LLP
BOND COUNSEL

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

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
WAVERLY CENTRAL SCHOOL DISTRICT
TIOGA & CHEMUNG COUNTIES, NEW YORK
Relating To
\$2,100,000 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the Waverly Central School District, Tioga and Chemung Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$2,100,000 principal amount of Bond Anticipation Notes, 2019 (the "Notes").

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

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

THE NOTES

Description of the Notes

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

The Notes will be dated October 3, 2019 and will mature June 30, 2020. The Notes are not subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity. The District will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s).

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

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution of the School District adopted on June 14, 2018 authorizing (i) the issuance of \$1,500,000 serial bonds of said School District to finance certain renovations, reconstruction, alterations and improvements of the District's High School Building, Elm Street Elementary School Building, Lincoln Street Elementary School Building and Bus Garage Facility at a maximum cost of \$1,500,000, and (ii) the issuance of \$600,000 serial bonds of said School District to finance a capital project consisting of resurfacing the tennis courts located at the District's High School Building as well as reconstruction and alterations of the parking lot and ticket booth located at the District's Elm Street Elementary School Building at a maximum cost of \$600,000.

The proceeds of the Notes will provide \$2,100,000 new money for the aforementioned projects.

Nature of the Obligation

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

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

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

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

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

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

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE SCHOOL DISTRICT

General Information

The District, centralized in 1957, is located in the Town of Barton, Tioga County, and the Towns of Ashland, Baldwin and Chemung, Chemung County. The District is situated adjacent to the Pennsylvania border, approximately 17 miles southeast of the City of Elmira.

The District is served by New York State Routes 86 (the "Southern Tier Expressway"), 34 and 96, and by Pennsylvania State Route 220. Bus service is available in Waverly, rail service in nearby Sayre, Pennsylvania, and air transportation at the Elmira-Corning Regional Airport.

The District is basically a rural/residential area, with roughly half of its population residing in the Village of Waverly. Residents find employment locally, or commute to Elmira, Owego and Sayre.

Public water and sewer services are provided by the Village of Waverly, with the outlying area using private wells and septic systems. Electricity and natural gas are provided by New York State Electric & Gas Corporation, Pennsylvania Electric and Pennsylvania Southern Gas. Telephone service is provided by NYNEX. Police protection is provided by the Village of Waverly and by the Tioga and Chemung County Sheriffs' departments, supplemented by the New York State Police. Fire protection and ambulance service are provided by volunteer organizations.

The District provides public education for grades PK-12. Opportunities for higher education are available nearby at Elmira College and Corning Community College, as well as in the Ithaca, Binghamton and Cortland areas.

District residents find commercial services in the Village, as well as in Sayre, Elmira and Corning. The Village of Waverly is served by offices of Chemung Canal Trust Company, First Niagara and Tioga State Bank.

Source: District officials.

District Population

The 2017 estimated population of the District is 9,421. (Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates)

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the towns and the Counties listed below. The figures set below with respect to such towns and County is included for information only. It should not be inferred from the inclusion of such data in the 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>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
Towns of:						
Barton	\$ 15,498	\$ 22,096	\$ 24,794	\$ 39,650	\$ 48,657	\$ 57,194
Chemung	15,201	20,927	27,659	37,885	55,781	73,125
Baldwin	19,075	22,958	27,254	42,250	71,375	68,000
Ashland	17,749	18,385	23,906	40,882	51,927	51,510
County of:						
Tioga	18,673	24,596	30,252	46,509	59,907	72,992
Chemung	18,264	23,457	27,209	43,994	55,246	67,879
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Note: 2014-2018 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 2013-2017 American Community Survey data.

Larger Employers

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

<u>Name</u>	<u>Type</u>	<u>Employees</u>
CVS	Retail/Pharmacy Distribution Center	431
Elderwood	Nursing Home	320
Waverly Central School District	Education	260
Vulcraft Steel Fabrication	Manufacturer	240

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 and which includes the major part of the District is Tioga County. The information set forth below with respect to the County is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the District is necessarily representative of the County, or vice versa.

	<u>Annual Average</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tioga County	7.9%	7.1%	6.1%	5.5%	5.1%	5.1%	4.4%
Chemung County	8.4%	7.9%	6.3%	5.9%	5.7%	5.5%	4.7%
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

	<u>2018-19 Monthly Figures</u>											
	<u>2018</u>	<u>2019</u>										
	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Tioga County	3.6%	3.4%	3.4%	4.2%	4.7%	4.8%	4.6%	3.7%	3.6%	3.6%	3.8%	N/A
Chemung County	4.0%	3.9%	3.6%	4.1%	4.5%	4.5%	4.3%	3.8%	3.8%	3.8%	4.2%	N/A
New York State	3.6%	3.6%	3.5%	3.9%	4.6%	4.4%	4.1%	3.6%	3.8%	3.8%	4.2%	N/A

Note: Unemployment rates for August 2019 are unavailable as of the date of this Official Statement.

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

Form of School Government

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

Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the District for the ensuing fiscal year (tentative budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

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 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). For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

Recent Budget Vote Results

The budget for the 2015-16 fiscal year was approved by the qualified voters on May 19, 2015 with a vote of 258 yes to 162 no. The budget included a tax levy increase of 6.98%, which was below the District's maximum allowable Tax Cap increase of 13.3% for the 2015-16 fiscal year.

The budget for the 2016-17 fiscal year was defeated by the qualified voters on May 17, 2016 by a vote of 382 yes to 447 no. The original budget called for a total tax levy increase of 5.2%, which was above the District's tax levy limit, which was a decrease of 5.2%. The District presented a modified budget to voters on June 21, 2016 which included a tax levy increase of 0%, which was defeated. The modified budget was constructed to be at the contingency level. Chemung Elementary closed, and five support staff positions at that school were eliminated. No teachers or programs were cut.

The budget for the 2017-18 fiscal year was approved by the qualified voters on May 16, 2017 by a vote of 427 yes to 202 no. The budget called for a total tax levy increase of 2.99% which was below the District's Tax Cap of 3.41% for the 2019-20 fiscal year.

The budget for the 2018-19 fiscal year was approved by the qualified voters on May 15, 2018 by a vote of 299 yes to 113 no. The budget called for a total tax levy increase of 2.0% which was below the District's Tax Cap of 3.85% for the 2019-20 fiscal year.

The budget for the 2019-20 fiscal year was approved by the qualified voters on May 21, 2019 by a vote of 270 yes to 72 no. The budget called for a total tax levy increase of 1.5% which was below the District's Tax Cap of 1.87% for the 2019-20 fiscal year.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposit 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 of 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, school district or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments for the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits in excess of the amount insured under the Federal Deposit Insurance Act be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) 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 of 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, the District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

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

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 52.1% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

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.

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

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

Potential reductions in Federal aid received by the State.

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

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

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during fiscal year 2019-2020 and fiscal year 2020-2021 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces Federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

Building Aid

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

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

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2019-20 preliminary building aid ratios, the District expects to receive State building aid of approximately 94.2% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history

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

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

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also includes a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District received \$120,319 in State aid (in the form of Foundation aid) to be used on community schools activities. The District is not a part of the Community Schools Grant Initiative (CSGI).

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since its inception, the total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to \$4,381,956. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

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

School district fiscal year (2018-2019): The State's 2018-19 Enacted Budget includes 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's 2018-19 Enacted Budget includes an increase of \$618 million in Foundation Aid for school districts. Foundation Aid now totals nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase will be distributed using a one year, off formula methodology. The State's 2018-19 Enacted Budget guarantees that all school districts receive an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase will be "set aside" for certain school districts to fund community schools. The State's 2018-19 Enacted Budget fully funds all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected.

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

State Aid Litigation

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

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

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

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

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years as well as unaudited preliminary figures for 2018-19 and budgeted figures for the 2019-20 fiscal years 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>
2013-2014	\$ 25,229,433	\$ 17,973,944	71.24%
2014-2015	26,510,326	18,964,933	71.54
2015-2016	27,465,534	20,862,953	75.96
2016-2017	28,171,025	20,231,890	71.82
2017-2018	29,564,418	21,279,109	71.98
2018-2019 (Unaudited)	30,879,324	22,335,438	72.33
2019-2020 (Budgeted)	30,969,418	22,547,166	72.80

Source: 2013-14 through 2017-18 audited financial statements, 2018-19 unaudited estimates and 2019-20 adopted budget of the District. This table is not audited.

District Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Original Construction</u>
Lincoln Street School	PK-1	410	1962, '87, '00
Elm Street School	2-4	535	1928, '87
Junior/Senior High School	5-12	1,450	1967, '87, '96
Chemung Elementary School ⁽¹⁾	-	-	-

⁽¹⁾ Chemung Elementary School closed as of July 1, 2016. The building is currently empty.

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2015-16	1,705	2020-21	1,660
2016-17	1,658	2021-22	1,660
2017-18	1,638	2022-23	1,660
2018-19	1,597	2023-24	1,660
2019-20	1,660	2023-24	1,660

Source: School District officials.

Employees

The District currently employs 204 full-time and 43 part-time persons. The following employees are represented by the following bargaining agents:

<u>Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
122	Waverly CSD Teachers' Association	June 30, 2022
79	Waverly CSD Association of Support Personnel	June 30, 2021
7	Waverly CSD Administrative & Professional Association	June 30, 2021
7	Waverly CSD Food Service Employees' Association	June 30, 2021

Source: District officials.

Status and Financing of Employee Pension Benefits

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

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

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

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

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

<u>Fiscal Year</u>	<u>TRS</u>	<u>ERS</u>
2014-2015	\$ 1,611,138	\$ 387,714
2015-2016	1,208,816	350,368
2016-2017	1,036,974	309,167
2017-2018	928,787	285,410
2018-2019	987,426	275,252
2019-2020 (Budgeted)	899,962	319,428

Source: District records.

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

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

A chart of average ERS and TRS rates as a percent of payroll (2015 to 2019) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-15	20.1%	17.53%
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.62

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 Adopted 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. 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 is not participating in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

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. The District has established such a reserve fund as of the June 30, 2019 fiscal year.

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 BPAS to calculate its first actuarial valuation under GASB 75 for the fiscal years ending June 30, 2018 and 2019.

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

	Balance beginning at:	June 30, 2017	June 30, 2018
		\$ 71,839,654	\$ 67,847,800
Changes for the year:			
Service cost		2,853,861	2,452,179
Interest cost		2,156,997	2,471,027
Changes of Benefit Terms		-	(14,711)
Differences between Expected and Actual Experience		-	-
Change of assumptions or other inputs		(7,355,202)	(1,994,268)
Benefit payments		(1,647,510)	(1,778,212)
Net Changes		\$ (3,991,854)	\$ 1,136,015
	Balance ending at:	June 30, 2018	June 30, 2019
		\$ 67,847,800	\$ 68,983,815

Source: Actuarial valuation report for other post-employment benefits for July 1, 2018 to June 30, 2019. The above table is not audited. For additional information see "APPENDIX - E" attached hereto.

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

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

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

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

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

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

Financial Statements

The School District retains independent Certified Public Accountants. The last audited financial report covers the period ending June 30, 2018 and has been filed with the Electronic Municipal Market Access ("EMMA") website. It is also attached hereto as "APPENDIX-E" to this Official Statement. The audited financial report for fiscal year ending June 30, 2019 has not been completed as of the date of this Official Statement but is expected to be completed on or about October 10, 2019. 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. (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, published by the Governmental Accounting Standards Board (GASB).

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

Unaudited Results for Fiscal Year Ending June 30, 2019:

Summary unaudited information for the General Fund for the period ending June 30, 2019 is as follows:

Projected Revenues:	\$ 30,879,324
Projected Expenditures:	<u>30,332,678</u>
Projected Excess (Deficit) Revenues Over Expenditures:	<u>\$ 546,646</u>
Total General Fund Balance at June 30, 2018:	\$ 6,079,296
Total Projected General Fund Balance at June 30, 2019:	\$ 6,631,120

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom. The 2019 audit is expected to be completed on or about October 10, 2019.

Source: District Officials

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.

There are no State Comptrollers audits of the District published in the last five years. The State Comptroller's office is currently conducting a routine audit of the District. No audit report has been published as of the date of this Official Statement.

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

The State Comptroller's Fiscal Stress Monitoring System

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

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to 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 2014 through 2018 fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2018	No Designation	0.0%
2017	No Designation	6.7%
2016	No Designation	13.3%
2015	No Designation	20.0%
2014	No Designation	20.0%

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

Other Information

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

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

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

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

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

TAX INFORMATION

Taxable Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Barton	\$ 292,560,085	\$ 288,523,283	\$ 286,670,782	\$ 288,021,049	\$ 285,330,339
Chemung	122,583,935	123,114,201	125,349,448	125,538,335	132,793,599
Baldwin	65,905	68,657	68,714	68,629	68,319
Ashland	10,345	10,581	10,231	10,318	11,052
Total Assessed Values	<u>\$ 415,220,270</u>	<u>\$ 411,716,722</u>	<u>\$ 412,099,175</u>	<u>\$ 413,638,331</u>	<u>\$ 418,203,309</u>
State Equalization Rates					
Towns of:					
Barton	88.00%	85.00%	85.00%	84.00%	84.00%
Chemung	100.00%	97.00%	100.00%	100.00%	100.00%
Baldwin	1.60%	1.65%	1.65%	1.63%	1.50%
Ashland	1.60%	1.55%	1.53%	1.53%	1.50%
Total Taxable Full Valuation	<u>\$ 459,804,202</u>	<u>\$ 471,204,689</u>	<u>\$ 467,442,369</u>	<u>\$ 473,305,283</u>	<u>\$ 477,763,974</u>

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Towns of:					
Barton	\$ 16.90	\$ 16.90	\$ 17.55	\$ 17.72	\$ 17.81
Chemung	14.81	14.81	14.92	14.88	14.96
Baldwin	870.79	870.79	904.20	913.01	997.63
Ashland	926.97	926.97	975.11	972.69	997.63

Tax Collection Procedure

Tax payments are due September 1st. There is no penalty charge during the month of September, but a 2% penalty is charged from October 1st to October 31st. On or about November 1st, uncollected taxes plus penalties are returnable to the Counties of Tioga and Chemung. The School District receives these amounts from the respective Counties prior to the end of the District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by the Counties.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy	\$ 6,329,696	\$ 6,771,509	\$ 6,771,509	\$ 6,973,916	\$ 7,043,717
Amount Uncollected ⁽¹⁾	744,077	693,695	591,660	602,201	528,096
% Uncollected	11.76%	10.24%	8.74%	8.64%	7.50%

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

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years, unaudited preliminary figures for 2018-19 and adopted budget of the District for the 2019-20 fiscal year comprised of Real Property Taxes and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes & Other Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2013-2014	\$ 25,229,433	\$ 6,728,252	26.67%
2014-2015	26,510,326	6,784,925	25.59
2015-2016	27,466,621	7,233,017	26.33
2016-2017	28,171,025	7,170,911	25.45
2017-2018	29,564,418	7,500,651	25.37
2018-2019 (Unaudited)	30,879,324	7,573,960	24.53
2019-2020 (Budgeted)	30,969,418	7,546,410	24.37

Source: 2013-14 through 2017-18 audited financial statements, 2018-19 unaudited estimates and 2019-20 adopted budget of the District. This table is not audited.

Larger Taxpayers 2018 Assessment Roll for 2019-20 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
NYSEG	Utility	\$ 8,715,603
Norfolk & Southern	Railroad	8,606,029
Millennium Pipeline	Utility	7,701,139
Leprino Foods	Cheese Manufacturer	6,504,166
37 North Chemung St (Elderwood)	Nursing Facility	5,843,333
Penelec	Utility	4,818,789
Ellistown Car Farm/El-ba	Auto auction	3,333,574
Waverly Trade/Barber	Warehouse/residential	3,285,000
Valley Energy	Utility	3,089,208
HANCOR	Drainage Systems	1,660,596

The ten largest taxpayers listed above had a total taxable assessed valuation of \$53,557,437, which represents approximately 11.3% of the tax base of the District.

The District currently does not have any pending or outstanding tax certioraris that, if decided adversely to the District, would be reasonably expected to have a material adverse impact on the District. A tax certiorari reserve is in place that is reasonably expected to cover any tax repayments that may be required.

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. Chapter 60 of the Laws of 2016 has “converted” STAR to a personal income tax credit instead of a property tax exemption for all new homeowners who purchased their home after August 1, 2015.

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.

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.

The below table lists the basic and enhanced exemption amounts for the 2019-20 School District tax roll for the municipalities applicable to the School District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Barton	\$ 57,710	\$ 25,200	4/9/2019
Chemung	73,040	31,900	4/9/2019
Baldwin	1,120	490	4/9/2019
Ashland	1,050	460	4/9/2019

\$1,304,531 of the District's \$6,973,916 school tax levy for 2017-18 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January 2018.

\$1,273,119 of the District's \$7,043,717 school tax levy for 2018-19 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January 2019.

The District expects a similar amount to be exempted for the 2019-20 fiscal year.

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-65%; Commercial- 10%; and Agricultural-25%.

The estimated total annual property tax bill of a \$75,000 market value residential property located in the District is approximately \$3,664 including County, Village, Town and School District taxes.

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

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

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

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

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

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

See “THE SCHOOL DISTRICT – Budgetary Procedures and Recent Budget Votes” herein for additional information regarding the District’s Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is 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 “The NOTES - Nature of Obligation,” 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 INFORMATION - The 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 District has the power to contract indebtedness for any District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment roll by the equalization rate established by the State Office of Real Property Services in accordance with applicable State law.

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

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

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

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

The District 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 30:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds ⁽¹⁾	\$ 33,070,000	\$ 30,860,000	\$ 28,665,000	\$ 29,995,000	\$ 29,085,000
Bond Anticipation Notes	0	3,000,000	4,600,000	2,500,000	0
Revenue Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 33,070,000</u>	<u>\$ 33,860,000</u>	<u>\$ 33,265,000</u>	<u>\$ 32,495,000</u>	<u>\$ 29,085,000</u>

⁽¹⁾ Totals do not include advance refunded debt outstanding where applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of September 16, 2019.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount Outstanding</u>
<u>Bonds</u>	2020-2033	\$ 38,255,000 ⁽¹⁾
<u>Bond Anticipation Notes</u>	--	<u>0</u>
Total Indebtedness		<u>\$ 38,255,000</u>

- ⁽¹⁾ On November 9, 2017, the District issued \$8,835,000 refunding serial bonds through the New York State Dormitory Authority to achieve budgetary and present value savings. The bonds listed above include \$9,170,000 of refunded 2011A serial bonds which will be fully redeemed as of their call date on October 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

Debt Statement Summary

Summary of Bonded Indebtedness, Debt Limit and Net Debt-Contracting Margin as of September 16, 2019:

Full Valuation of Taxable Real Property	\$ 477,763,974
Debt Limit (10%) thereof	47,776,397

Inclusions:

Bonds ⁽¹⁾	\$ 38,255,000
Bond Anticipation Notes	0
Principal of the Notes	<u>2,100,000</u>
Total Inclusions	<u>\$ 40,355,000</u>

Exclusions: ⁽²⁾

.....	\$ 0
Total Exclusions	<u>\$ 0</u>

Total Net Indebtedness \$ 40,355,000

Net Debt-Contracting Margin \$ 7,421,397

The percent of debt contracting power exhausted is 84.47%

- ⁽¹⁾ On November 9, 2017, the District issued \$8,835,000 refunding serial bonds through the New York State Dormitory Authority to achieve budgetary and present value savings. The bonds listed above include \$9,170,000 of refunded 2011A serial bonds which will be fully redeemed as of their call date on October 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

- ⁽²⁾ Based on preliminary 2019-20 building aid estimates, the District anticipates State Building aid of 94.2% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

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

Bonded Debt Service

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

Cash Flow Borrowings

The District has not issued Tax or Revenue Anticipation Notes for the last five fiscal years and does not expect to issue such notes in the current fiscal year.

Capital Leases

The District enters into installment purchase agreements for the purchase of school buses. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2019.

<u>Year</u>	<u>Payment</u>
2019	\$ 273,451
2020	299,868
2021	248,082
2022	204,214
<u>2023</u>	<u>159,079</u>
Total	<u>\$ 1,184,694</u>

Source: School District officials. Above table is not audited.

Capital Project Plans

On May 15, 2018 the voters of the District authorized a capital project consisting of certain renovations, reconstruction, alterations and improvements of the District's High School Building, Elm Street Elementary School Building, Lincoln Street Elementary School Building and Bus Garage Facility at a maximum cost of \$1,500,000. The current issuance of the Notes will provide new money for the aforementioned project.

On May 15, 2018 the voters of the District authorized a capital project consisting of resurfacing the tennis courts located at the District's High School Building as well as reconstruction and alterations of the parking lot and ticket booth located at the District's Elm Street Elementary School Building at a maximum cost of \$600,000. The current issuance of the Notes will provide new money for the aforementioned project.

Other than noted above, there are presently no other capital projects authorized or unissued, nor are any contemplated, by the District at this time.

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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:						
Tioga	6/28/2019 ⁽³⁾	\$ 11,855,000	\$ 1,110,000	\$ 10,745,000	12.52%	\$ 1,345,274
Chemung	6/29/2019 ⁽³⁾	46,243,958	3,261,232	42,982,726	3.34%	1,435,623
Town of:						
Barton	12/31/2017 ⁽⁴⁾	1,108,087	1,108,087	-	85.21%	-
Chemung	12/31/2017 ⁽⁴⁾	77,295	77,295	-	93.48%	-
Baldwin	12/31/2017 ⁽⁴⁾	-	-	-	7.66%	-
Ashland	12/31/2017 ⁽⁴⁾	-	-	-	0.46%	-
Village of:						
Waverly	5/31/2018 ⁽⁴⁾	13,159,758	10,904,758	2,255,000	100.00%	2,255,000
Total:						<u>\$ 5,035,897</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 September 16, 2019:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 40,355,000	\$ 4,283.52	8.45%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	45,390,897	4,818.06	9.50%

- (a) The 2017 estimated population of the District is 9,421. (See "THE SCHOOL DISTRICT – District Population" herein.)
- (b) The District's full value of taxable real estate for the District's 2019-20 tax roll is \$477,763,974. (See "TAX INFORMATION – Taxable Valuations" herein.)
- (c) See "Debt Statement Summary" herein.
- (d) Estimated net overlapping indebtedness is \$5,035,897. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

General Municipal Law Contract Creditors' Provision. Each 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 Notes in the event of a default in the payment of the principal of and interest on the Notes.

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

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

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

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

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

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

MARKET AND RISK FACTORS

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

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

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

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

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

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

CONTINUING DISCLOSURE COMPLIANCE

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

The District timely filed its AFIOD for fiscal year ending June 30, 2013; however, the operating data that was provided as part of such filing was dated as of June 25, 2013, which was 5 days prior to the close of the June 30, 2013 fiscal year. The District timely filed its AFIOD for fiscal year ending June 30, 2014; however, the operating data that was provided as part of such filing was dated as of June 12, 2014, which was 18 days prior to the close of the June 30, 2014 fiscal year.

TAX MATTERS

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

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

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

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

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been advanced that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinions of Trespasz & Marquardt, LLP, Bond Counsel to the District. Bond Counsel's opinion will be in substantially the form attached hereto as APPENDIX – D".

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

LITIGATION

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

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

RATINGS

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale with the approval of the School District and at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX-C, MATERIAL EVENT NOTICES" herein.)

The District does not currently have any general obligation bonds directly issued by the District that are currently rated.

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

The Waverly Central School District contact information is as follows: Mrs. Kathy J. Rote, Business Manager, 15 Frederick Street, Waverly, New York 14892, Phone: (607) 565-2841, Telefax: (607) 565-4997, email: kroute@gstboces.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

WAVERLY CENTRAL SCHOOL DISTRICT

Dated: September 16, 2019

PARVIN MENSCH
PRESIDENT OF THE BOARD OF EDUCATION
AND CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 2,581,871	\$ 2,840,832	\$ 2,400,948	\$ 2,775,764	\$ 3,389,697
Restricted Cash	3,127,584	2,898,790	2,833,003	2,810,590	2,462,194
Due from Other Funds	730,076	693,123	707,541	779,732	361,781
Due from Other Governments	777,802	765,068	775,685	769,348	850,081
State and Federal Aid Receivable	757,576	308,248	535,637	291,576	370,949
Other Receivables (Net)	48,318	199,272	53,882	36,898	78,121
Prepaid Expenditures	-	-	-	-	-
TOTAL ASSETS	\$ 8,023,227	\$ 7,705,333	\$ 7,306,696	\$ 7,463,908	\$ 7,512,823
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 66,339	\$ 44,850	\$ 68,941	\$ 96,918	\$ 33,633
Accrued Liabilities	16,366	3,707	1,903	15,407	54,724
Revenue Anticipation Notes Payable	-	-	-	-	-
Due to Other Funds	129,194	29,449	165,295	131,107	144,784
Due to Teachers' Retirement System	1,462,629	1,661,276	1,260,349	1,117,261	934,950
Due to Employees' Retirement System	96,139	90,899	78,824	78,908	72,918
Compensated Absences	68,054	90,701	164,447	189,335	86,428
Due to Other Governments	-	-	-	-	100,910
Deferred Revenues	-	120,998	-	-	-
TOTAL LIABILITIES	\$ 1,838,721	\$ 2,041,880	\$ 1,739,759	\$ 1,628,936	\$ 1,428,347
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,127,584	2,755,320	2,642,990	2,578,553	2,462,194
Assigned	1,917,686	1,899,061	2,001,342	1,684,466	1,744,295
Unassigned	1,139,236	1,009,072	922,605	1,571,953	1,877,987
TOTAL FUND EQUITY	\$ 6,184,506	\$ 5,663,453	\$ 5,566,937	\$ 5,834,972	\$ 6,084,476
TOTAL LIABILITIES and FUND EQUITY	\$ 8,023,227	\$ 7,705,333	\$ 7,306,696	\$ 7,463,908	\$ 7,512,823

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES					
Real Property Taxes	\$ 4,870,855	\$ 4,995,835	\$ 5,410,125	\$ 5,410,241	\$ 5,669,447
Other Tax Items	1,857,397	1,789,090	1,822,892	1,788,511	1,831,204
Charges for Services	199,631	174,830	185,704	224,364	225,513
Use of Money & Property	23,428	14,876	18,464	27,240	39,959
Sale of Property and Compensation for Loss	40,645	13,293	10,675	23,499	1,660
Miscellaneous	216,483	527,647	373,073	325,442	390,658
Revenues from State Sources	17,973,944	18,964,933	19,502,137	20,231,890	21,279,109
Revenues from Federal Sources	47,050	29,822	143,551	139,838	126,868
Total Revenues	<u>\$ 25,229,433</u>	<u>\$ 26,510,326</u>	<u>\$ 27,466,621</u>	<u>\$ 28,171,025</u>	<u>\$ 29,564,418</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 25,229,433</u>	<u>\$ 26,510,326</u>	<u>\$ 27,466,621</u>	<u>\$ 28,171,025</u>	<u>\$ 29,564,418</u>
EXPENDITURES					
General Support	\$ 2,182,510	\$ 2,210,603	\$ 2,315,856	\$ 2,315,615	\$ 2,362,287
Instruction	13,001,715	13,874,869	13,612,363	13,989,745	14,372,048
Pupil Transportation	860,809	859,193	849,850	878,296	1,007,830
Community Services	54,224	52,965	53,313	67,580	85,165
Employee Benefits	7,425,463	6,749,606	6,483,164	6,704,758	7,246,250
Debt Service	2,772,990	3,255,054	4,061,170	3,793,950	4,034,414
Total Expenditures	<u>\$ 26,297,711</u>	<u>\$ 27,002,290</u>	<u>\$ 27,375,716</u>	<u>\$ 27,749,944</u>	<u>\$ 29,107,994</u>
Other Uses:					
Interfund Transfers	<u>736,766</u>	<u>29,089</u>	<u>187,421</u>	<u>153,046</u>	<u>206,920</u>
Total Expenditures and Other Uses	<u>\$ 27,034,477</u>	<u>\$ 27,031,379</u>	<u>\$ 27,563,137</u>	<u>\$ 27,902,990</u>	<u>\$ 29,314,914</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,805,044)</u>	<u>(521,053)</u>	<u>(96,516)</u>	<u>268,035</u>	<u>249,504</u>
FUND BALANCE					
Fund Balance - Beginning of Year	7,989,550	6,184,506	5,663,453	5,566,937	5,834,972
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,184,506</u>	<u>\$ 5,663,453</u>	<u>\$ 5,566,937</u>	<u>\$ 5,834,972</u>	<u>\$ 6,084,476</u>

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

GENERAL FUND

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

Fiscal Years Ending June 30:

	2018			2019	2020
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes	\$ 6,973,977	\$ 6,973,977	\$ 5,669,447	\$ 7,113,457	\$ 7,043,717
Other Tax Items	454,986	454,986	1,831,204	519,693	502,693
Charges for Services	160,004	160,004	225,513	145,300	162,300
Use of Money & Property	37,000	37,000	39,959	51,704	51,704
Sale of Property and Compensation for Loss	-	-	1,660	-	-
Miscellaneous	203,000	203,000	390,658	98,000	167,740
Revenues from State Sources	21,687,288	21,687,288	21,279,109	22,547,166	22,547,166
Revenues from Federal Sources	54,539	54,539	126,868	-	-
Total Revenues	<u>\$ 29,570,794</u>	<u>\$ 29,570,794</u>	<u>\$ 29,564,418</u>	<u>\$ 30,475,320</u>	<u>\$ 30,475,320</u>
Other Sources:					
Interfund Transfers	<u>384,564</u>	<u>384,564</u>	<u>-</u>	<u>494,098</u>	<u>494,098</u>
Total Revenues and Other Sources	<u>\$ 29,955,358</u>	<u>\$ 29,955,358</u>	<u>\$ 29,564,418</u>	<u>\$ 30,969,418</u>	<u>\$ 30,969,418</u>
EXPENDITURES					
General Support	\$ 2,523,863	\$ 2,530,810	\$ 2,362,287	\$ 2,500,226	\$ 2,707,265
Instruction	15,494,744	15,468,355	14,372,048	15,896,396	16,621,428
Pupil Transportation	1,037,706	1,056,824	1,007,830	1,069,619	1,055,579
Community Services	100,800	100,800	85,165	105,500	110,500
Employee Benefits	8,222,511	8,202,916	7,246,250	8,637,353	7,784,979
Debt Service	4,157,200	4,073,199	4,034,414	4,421,450	4,516,500
Total Expenditures	<u>\$ 31,536,824</u>	<u>\$ 31,432,904</u>	<u>\$ 29,107,994</u>	<u>\$ 32,630,544</u>	<u>\$ 32,796,251</u>
Other Uses:					
Interfund Transfers	<u>103,000</u>	<u>206,920</u>	<u>206,920</u>	<u>3,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 31,639,824</u>	<u>\$ 31,639,824</u>	<u>\$ 29,314,914</u>	<u>\$ 32,633,544</u>	<u>\$ 32,796,251</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,684,466)</u>	<u>(1,684,466)</u>	<u>249,504</u>	<u>(1,664,126)</u>	<u>(1,664,126)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	1,684,466	1,684,466	5,834,972	1,664,126	1,664,126
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,084,476</u>	<u>\$ -</u>	<u>\$ -</u>

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2020	\$ 2,830,000	\$ 1,452,244	\$ 4,282,244
2021	2,995,000	1,288,600	4,283,600
2022	3,080,000	1,138,850	4,218,850
2023	3,235,000	995,550	4,230,550
2024	3,390,000	836,700	4,226,700
2025	3,555,000	667,700	4,222,700
2026	3,590,000	489,950	4,079,950
2027	1,600,000	310,450	1,910,450
2028	1,655,000	230,450	1,885,450
2029	1,265,000	147,700	1,412,700
2030	860,000	84,450	944,450
2031	540,000	45,500	585,500
2032	335,000	21,500	356,500
2033	155,000	7,750	162,750
TOTALS	\$ 29,085,000	\$ 7,717,394	\$ 36,802,394

On November 9, 2017, the District issued \$8,835,000 refunding serial bonds through the New York State Dormitory Authority to achieve budgetary and present value savings. The bonds listed above do not include \$9,170,000 of refunded 2011A serial bonds which will be fully redeemed as of their call date on October 1, 2021. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	DASNY Serial Bond 2011A *			DASNY Serial Bond 2015D			DASNY Refunding Serial Bond 2017G		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,595,000	\$ 188,250	\$ 1,783,250	\$ 935,000	\$ 546,950	\$ 1,481,950	\$ 5,000	\$ 427,050	\$ 432,050
2021	1,675,000	108,500	1,783,500	985,000	500,200	1,485,200	5,000	426,900	431,900
2022	90,000	24,750	114,750	1,030,000	450,950	1,480,950	1,615,000	426,650	2,041,650
2023	95,000	20,250	115,250	1,085,000	399,450	1,484,450	1,690,000	356,600	2,046,600
2024	100,000	15,500	115,500	1,140,000	345,200	1,485,200	1,765,000	275,000	2,040,000
2025	105,000	10,500	115,500	1,195,000	288,200	1,483,200	1,855,000	187,250	2,042,250
2026	105,000	5,250	110,250	1,175,000	228,450	1,403,450	1,890,000	94,500	1,984,500
2027	-	-	-	1,160,000	169,700	1,329,700	-	-	-
2028	-	-	-	1,190,000	111,700	1,301,700	-	-	-
2029	-	-	-	775,000	52,200	827,200	-	-	-
2030	-	-	-	350,000	13,450	363,450	-	-	-
TOTALS	\$ 3,765,000	\$ 373,000	\$ 4,138,000	\$ 11,020,000	\$ 3,106,450	\$ 14,126,450	\$ 8,825,000	\$ 2,193,950	\$ 11,018,950

* Advance refunded by the 2017G DASNY refunding bonds. Only the unrefunded portion of debt service remaining is shown. The refunded portion of bonds maturing in the years 2022-2026 will be called and redeemed in full on October 1, 2021.

Fiscal Year Ending June 30th	DASNY Serial Bond 2018A			DASNY Serial Bond 2019A		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 230,000	\$ 190,750	\$ 420,750	\$ 65,000	\$ 99,244	\$ 164,244
2021	240,000	179,250	419,250	90,000	73,750	163,750
2022	250,000	167,250	417,250	95,000	69,250	164,250
2023	265,000	154,750	419,750	100,000	64,500	164,500
2024	280,000	141,500	421,500	105,000	59,500	164,500
2025	290,000	127,500	417,500	110,000	54,250	164,250
2026	305,000	113,000	418,000	115,000	48,750	163,750
2027	320,000	97,750	417,750	120,000	43,000	163,000
2028	335,000	81,750	416,750	130,000	37,000	167,000
2029	355,000	65,000	420,000	135,000	30,500	165,500
2030	370,000	47,250	417,250	140,000	23,750	163,750
2031	390,000	28,750	418,750	150,000	16,750	166,750
2032	185,000	9,250	194,250	150,000	12,250	162,250
2033	-	-	-	155,000	7,750	162,750
TOTALS	\$ 3,815,000	\$ 1,403,750	\$ 5,218,750	\$ 1,660,000	\$ 640,244	\$ 2,300,244

MATERIAL EVENT NOTICES

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

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

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

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

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

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

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

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

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

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

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

FORM OF OPINION OF BOND COUNSEL

October 3, 2019

Waverly Central School District
15 Frederick Street
Waverly, New York 14892

Re: Waverly Central School District
\$2,100,000 Bond Anticipation Notes, 2019 CUSIP No: _____

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$2,100,000 Bond Anticipation Notes, 2019 (the "Notes") of Waverly Central School District, Counties of Tioga and Chemung, State of New York (the "District"). The Notes are dated October 3, 2019 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, a bond resolution of the District and a Certificate of Determination dated on or before October 3, 2019 of the President of the Board of Education relative to the form and terms of the Notes.

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

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

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

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

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

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

Very truly yours,

Trespasz & Marquardt, LLP

**WAVERLY CENTRAL SCHOOL DISTRICT
TIOGA & CHEMUNG COUNTIES, NEW YORK**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2018

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.

Insero & Co. CPAs, LLP, 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. Insero & Co. CPAs, LLP also has not performed any procedures relating to this Official Statement.

WAVERLY CENTRAL SCHOOL DISTRICT

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WAVERLY CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Waverly Central School District
Waverly, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waverly Central School District (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", which required a restatement of net position as of June 30, 2017. See Notes 10 and 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes on pages 4-4j and 50-58 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 School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Assets (supplementary information) on pages 59-61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2018

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of Waverly Central School District's (the School District) financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the 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. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(50,986,723). GASB Statement No. 75 requires the School District record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. Net OPEB obligations totaled \$73,424,790 at June 30, 2018. See note 10 for more detailed information.
- Net position at June 30, 2018 was a deficit of \$52,922,732. This deficit is primarily the result of the net OPEB obligations above, offset by a net pension (asset)/liability of \$4,785,636. Without the effects of these obligations, net position would have been \$15,716,422.
- Total expenses exceeded revenue in 2018 by \$(2,084,807) compared to 2017, when expenses exceeded revenue by \$(1,458,141). The increase in expenses in 2018 is primarily due to increased instructional salaries and fiscal agent fees associated with the bond refunding.
- The overall indebtedness of the School District at June 30, 2018 increased 2.39% from 2017. This increase is largely due to bond refunding and the issuance of new 2018 DASNY bonds. See notes 7 and 8 for more detailed information.
- Capital asset construction in process, equipment, and building additions during 2018 amounted to \$1,743,318. Depreciation expense totaled \$1,958,877.
- Total fund balance in the General Fund, including reserves, was \$6,084,476 at June 30, 2018. Restricted fund balance of \$2,462,194 consisted of General Fund restricted reserves; assigned fund balance of \$1,744,295 consisted of encumbrances of \$80,169, and appropriations to support the 2018-2019 budget of \$1,664,126; and \$1,877,987 unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedules of Changes in the District's Total OPEB Liability and Related Ratios For the Last 10 Fiscal Years related to the School District's unfunded actuarial liability for postemployment benefits, and Schedules of School District Contributions and Proportionate Share of Net Pension Liability (Asset).

District-wide Financial Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the School District's net position and how it changed. Net position - the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities. In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental Fund Financial Statements

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

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2018 decreased by \$(2,084,807). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current assets</i>	\$ 4,404,280	\$ 5,765,496	\$ 1,361,216
<i>Noncurrent assets</i>	2,810,590	2,888,477	77,887
<i>Capital assets, net</i>	46,017,085	45,801,526	(215,559)
<i>Total Assets</i>	53,231,955	54,455,499	1,223,544
<i>Pensions</i>	6,629,655	6,454,846	(174,809)
<i>Other postemployment benefits</i>	1,647,510	1,778,212	130,702
<i>Deferred charges on defeased debt</i>		1,024,309	1,024,309
<i>Total Deferred Outflows of Resources</i>	8,277,165	9,257,367	980,202
<i>Current liabilities</i>	9,112,182	7,193,181	(1,919,001)
<i>Noncurrent liabilities</i>	102,873,390	100,194,392	(2,678,998)
<i>Total Liabilities</i>	111,985,572	107,387,573	(4,597,999)
<i>Pensions</i>	361,473	1,892,823	1,531,350
<i>Other postemployment benefits</i>		7,355,202	7,355,202
<i>Total Deferred Inflows of Resources</i>	361,473	9,248,025	8,886,552
<i>Net investment in capital assets</i>	9,024,819	8,948,224	(76,595)
<i>Restricted</i>	2,735,297	2,695,396	(39,901)
<i>Unrestricted</i>	(62,598,041)	(64,566,352)	(1,968,311)
<i>Total Net Position</i>	\$ (50,837,925)	\$ (52,922,732)	\$ (2,084,807)

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total assets increased 2.3%. The increase is primarily the result of a change in actuarial assumptions for the NYSTRS pension plan which subsequently resulted in the net pension liability increasing to a net pension asset of \$426,283. In addition, current assets increased based on additional revenue which was not expended.

Deferred outflows of resources and deferred inflows of resources increased as a result of changes in actuarial assumptions related to NYSTRS and NYSLRS pension plans, as well as the School District's implementation of GASB Statement No. 75. In addition, deferred outflows of resources increased by \$1,024,309 due to deferred charges on defeased debt associated with the 2017 Bond Refunding.

Current liabilities decreased due to the redemption and refunding of bond anticipation notes in the current year. In addition, the School District approved a new compensated absences agreement which reduces the maximum number of accrued unused leave days, thereby decreasing the compensated absences liability.

Noncurrent liabilities decreased primarily due to decreases in OPEB and net pension obligations.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 530,173	\$ 472,678	\$ (57,495)
<i>Operating grants and contributions</i>	2,135,222	2,163,615	28,393
<i>General Revenues:</i>			
<i>Real property taxes</i>	5,410,241	5,669,447	259,206
<i>Real property tax items</i>	1,788,511	1,831,204	42,693
<i>State sources</i>	20,223,323	21,214,465	991,142
<i>Use of money and property</i>	27,487	40,974	13,487
<i>Other general revenues</i>	347,912	393,777	45,865
<i>Total Revenues</i>	\$ 30,462,869	\$ 31,786,160	\$ 1,323,291
<i>PROGRAM EXPENSES</i>			
<i>General support</i>	\$ 3,074,801	\$ 3,692,709	\$ 617,908
<i>Instruction</i>	25,356,971	26,547,692	1,190,721
<i>Pupil transportation</i>	1,332,093	1,589,164	257,071
<i>Community service</i>	122,088	148,442	26,354
<i>School lunch program</i>	741,236	797,854	56,618
<i>Interest on debt</i>	1,293,821	1,095,106	(198,715)
<i>Total Expenses</i>	\$ 31,921,010	\$ 33,870,967	\$ 1,949,957
<i>(DECREASE) IN NET POSITION</i>	\$ (1,458,141)	\$ (2,084,807)	\$ (626,666)

Total revenues for the School District's Governmental Activities increased by 4.3%, while total expenses increased by 6.1%. The increase in revenue is due to a large increase in state aid, namely general aid of \$788,351. The increase in expenses is primarily due to increased instructional expenses as well as increased general support expenses. Instructional expenses increased largely due to additional BOCES services and instruction for students with special needs. The majority of the increase in general support expenses relates to fiscal agent fees in the debt service fund due to the refunding of bonds during the current year.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

Figure 3

Sources of Revenue for 2018

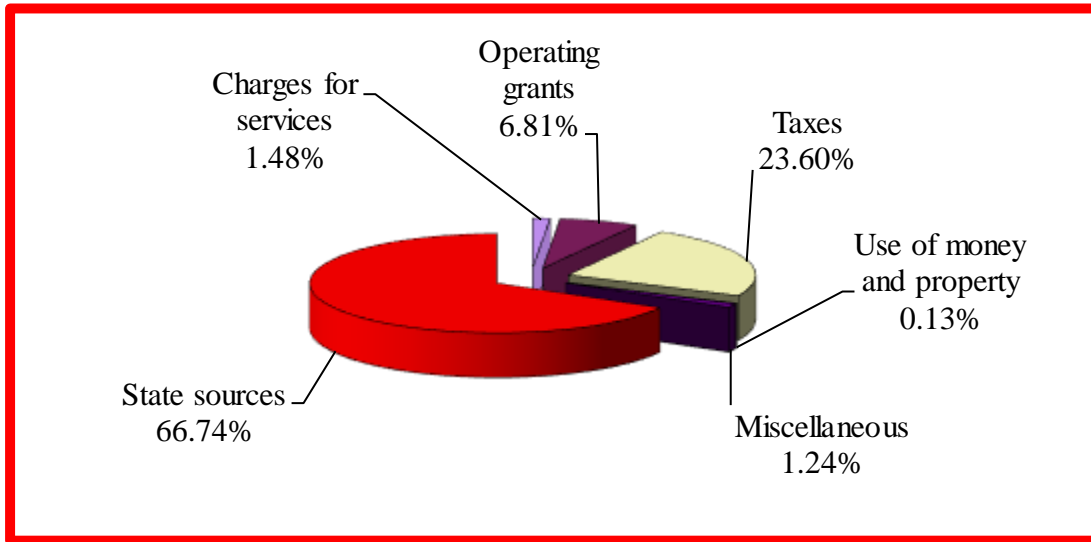
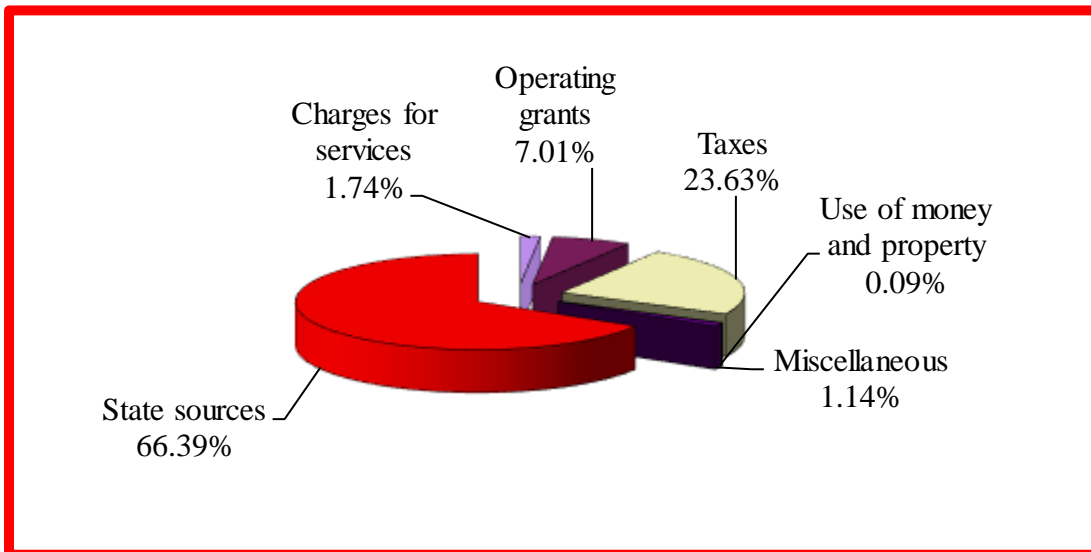


Figure 4

Sources of Revenue for 2017



WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost of each of the School District's programs for 2018 and 2017.

Figure 5

Cost of Programs for 2018

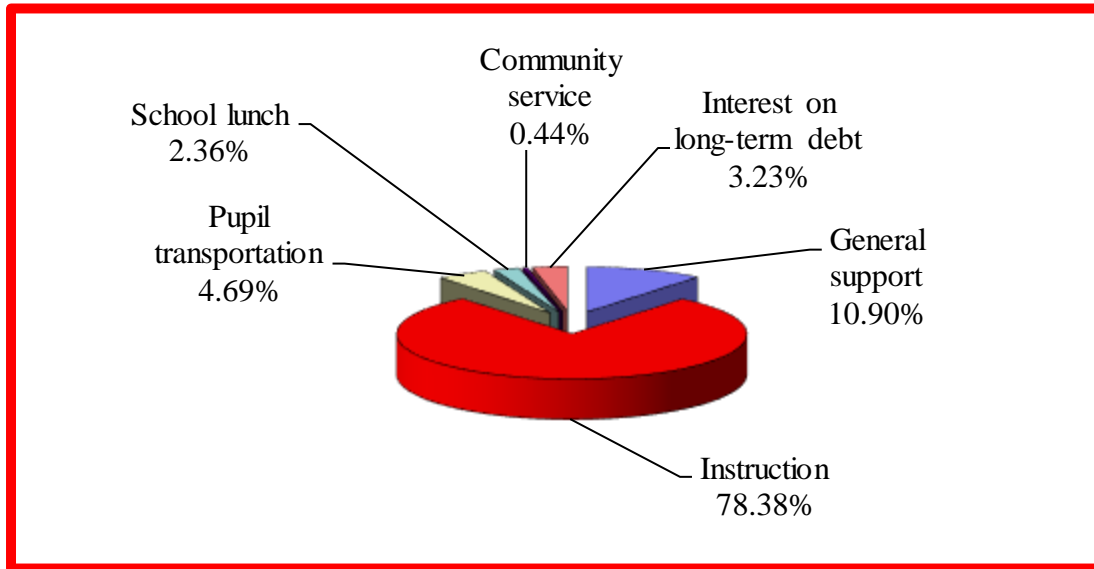
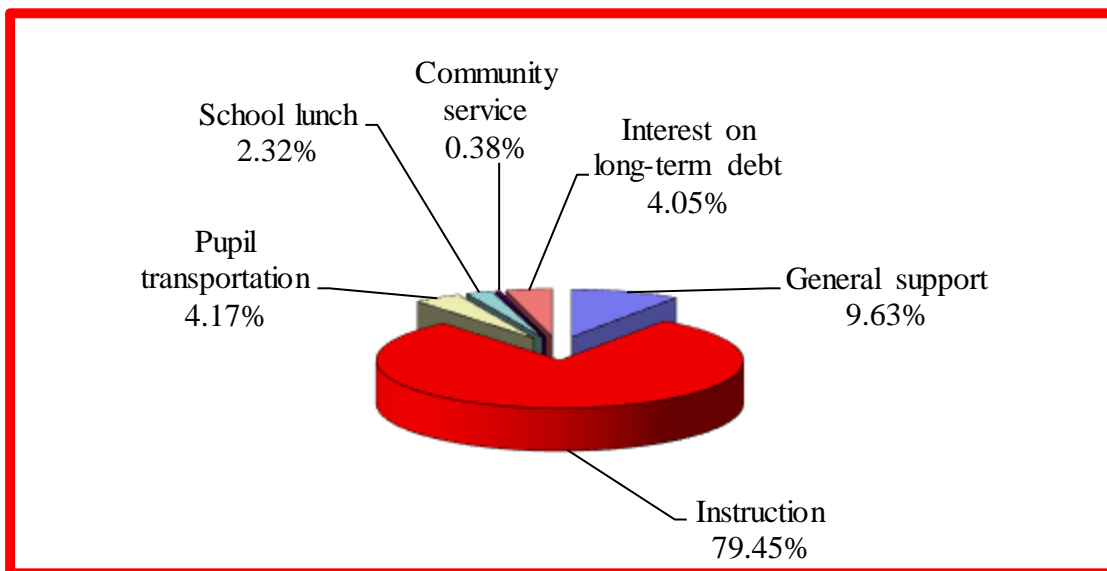


Figure 6

Cost of Programs for 2017



WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Major Funds. The School District experienced an increase in total fund balance from 2017. This increase is primarily attributable to proceeds of serial bonds received in the Capital Fund.

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>General Fund</i>	\$ 5,834,972	\$ 6,084,476	\$ 249,504
<i>School Lunch Fund</i>	199,406	256,204	56,798
<i>Debt Service Fund</i>	232,087	23,193	(208,894)
<i>Capital Funds</i>	(5,374,747)	(1,979,870)	3,394,877
<i>Total Governmental Funds</i>	<i>\$ 891,718</i>	<i>\$ 4,384,003</i>	<i>\$ 3,492,285</i>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board gives the authority to the Superintendent and Business Administrator to do budgetary transfers of \$1,000 or more that revise School District budget line items. These budget amendments consist of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2018. Even with these adjustments, the actual charges to appropriations (expenditures), including carry-over encumbrances, were below the final budget amounts by \$2,244,741.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 6,973,977	\$ 6,973,977	\$ 5,669,447	\$ (1,304,530)
<i>Other tax items</i>	454,986	454,986	1,831,204	1,376,218
<i>State sources</i>	21,687,288	21,687,288	21,279,109	(408,179)
<i>Other, including financing sources</i>	839,107	839,107	784,658	(54,449)
Total Revenues and Other Financing Sources	\$ 29,955,358	\$ 29,955,358	\$ 29,564,418	\$ (390,940)
Appropriated Fund Balances	\$ 1,684,466	\$ 1,684,466		
EXPENDITURES				
<i>General support</i>	\$ 2,523,863	2,530,810	\$ 2,379,544	151,266
<i>Instruction</i>	15,494,744	15,468,355	14,433,822	1,034,533
<i>Pupil transportation</i>	1,037,706	1,056,824	1,008,608	48,216
<i>Community service</i>	100,800	100,800	85,525	15,275
<i>Employee benefits</i>	8,222,511	8,202,916	7,246,250	956,666
<i>Debt service</i>	4,157,200	4,073,199	4,034,414	38,785
<i>Other financing uses</i>	103,000	206,920	206,920	-
Total Expenditures and Other Financing (Uses)	\$ 31,639,824	\$ 31,639,824	\$ 29,395,083	\$ 2,244,741

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the School District had invested in a broad range of capital assets totaling \$67,124,230; offset by accumulated depreciation of \$21,322,704. Figure 9 shows the changes in the School District's capital assets.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 9

<i>Changes in Capital Assets</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>Land</i>	\$ 110,178	\$ 110,178	\$ -
<i>Construction in progress</i>	485,537	201,620	(283,917)
<i>Buildings, net</i>	43,517,123	43,944,885	427,762
<i>Equipment, net</i>	1,904,247	1,544,843	(359,404)
<i>Total</i>	\$ 46,017,085	\$ 45,801,526	\$ (215,559)

Capital asset activity for the year ended June 30, 2018 included the following:

Construction in progress	\$ 1,685,732
Equipment	57,586
Total additions	<u>1,743,318</u>
Less depreciation expense	<u>(1,958,877)</u>
Net Decrease in Capital Assets	\$ <u>(215,559)</u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$885,345 in 2018, as shown in *Figure 10*. The increase was due to the issuance of new bond anticipation notes as well as the refunding of bonds. This increase was offset by a decrease in installment purchase debt. Total indebtedness represented 85.8% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2017-2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Serial bonds</i>	\$ 31,840,940	\$ 34,921,938	\$ 3,080,998
<i>Bond anticipation notes</i>	4,600,000	2,500,000	(2,100,000)
<i>Installment debt</i>	551,326	455,673	(95,653)
<i>Total</i>	\$ 36,992,266	\$ 37,877,611	\$ 885,345

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

WAVERLY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Waverly School District enrollment is holding steady at 1,500 and offers pre-k through 12th grade educational opportunities. The school district is rural and encompasses approximately 86 square miles located primarily in the towns of Chemung and Barton.
- The Waverly Central School District has identified three areas for growth in the 2018-2019 school year. We are focused on student attendance, early literacy intervention and our high school graduation rate. We are driving these initiatives with a comprehensive professional development plan that includes 2,000 hours of PD. The high school is in year one of Work Based Learning and our students are partnered with Guthrie, State Line Industries, and the Greater Valley Chamber of Commerce. Beginning in 2021 students will have had the opportunity to graduate with a high school diploma and a two year degree from Tompkins Cortland Community College. The School District is working to improve special education services and has enhanced our efforts to be more inclusive to all students and families through scheduling and professional development.
- Vulcraft Corporation, in the Town of Chemung, is currently under a PILOT (Payment In Lieu of Taxes agreement). For the first 10 years, the state paid their taxes under the Economic Development Zone. Beginning in the 2013-14 school year, the PILOT took effect whereby Vulcraft will pay 25% for a period of eight years. The School District will need to use reserve fund appropriations to fund this loss of revenue.
- CVS, which currently has about 474 employees, expects to employ 530 people. CVS has a PILOT agreement.
- State Line Auto is a major employer in the School District and operates under the municipal tax system.
- The Guthrie Clinic and the Robert Packer Hospital located in Sayre, PA are major employers in the region but do not have any financial liability to the School District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Waverly Central School District, at 1 Frederick St, Waverly, NY 14892-1207.

WAVERLY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash:

Unrestricted	\$ 4,019,551
Restricted	189,350
State and federal aid	582,198
Due from other governments	850,081
Other	78,121
Inventories	46,195
Total Current Assets	5,765,496

Noncurrent Assets

Restricted cash	2,462,194
Capital assets, net:	
Nondepreciable capital assets	311,798
Depreciable capital assets, net	45,489,728
Net pension asset - Proportionate share	426,283
Total Noncurrent Assets	48,690,003

Total Assets	54,455,499
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Pensions	6,454,846
Other postemployment benefits	1,778,212
Deferred charges on defeased debt	1,024,309
Total Deferred Outflows of Financial Resources	9,257,367

LIABILITIES

Current Liabilities

Payables:

Accounts payable	62,549
Accrued liabilities	59,863
Due to other governments	101,087
Bond interest and matured bonds	115,805
Bond anticipation notes payable	2,500,000
Unearned revenues	25,892
Installment purchase debt payable	95,653
Due to Teachers' Retirement System	934,950
Due to Employees' Retirement System	72,918
Compensated absences payable	86,428
Bonds payable	3,138,036
Total Current Liabilities	7,193,181

Noncurrent Liabilities

Bonds payable	31,783,902
Installment purchase debt payable	360,020
Other postemployment benefits liability	67,847,800
Net pension liability - Proportionate share	202,670
Total Noncurrent Liabilities	100,194,392

Total Liabilities107,387,573**DEFERRED INFLOWS OF RESOURCES**

Pensions	1,892,823
Other postemployment benefits	7,355,202

Total Deferred Inflows of Financial Resources9,248,025**NET POSITION**

Net Investment in Capital Assets	8,948,224
Restricted	2,695,396
Unrestricted (deficit)	(64,566,352)

Total Net (Deficit)**\$ (52,922,732)***See Independent Auditor's Report and Notes to Basic Financial Statements*

WAVERLY CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 3,692,709	\$	\$	\$	\$ (3,692,709)
Instruction	26,547,692	327,945	1,498,876		(24,720,871)
Pupil transportation	1,589,164	2,287			(1,586,877)
Community services	148,442		20,844		(127,598)
School lunch program	797,854	142,446	643,895		(11,513)
Interest on debt	1,095,106				(1,095,106)
Total Functions and Programs	\$ 33,870,967	\$ 472,678	\$ 2,163,615	\$ -	(31,234,674)
GENERAL REVENUES					
Real property taxes					5,669,447
Real property tax items					1,831,204
Use of money and property					40,974
State sources					21,214,465
Sale of property and compensation for loss					1,660
Miscellaneous					392,117
Total General Revenues					29,149,867
Change in Net Position					(2,084,807)
Total Net Position - Beginning of Year, as Restated					(50,837,925)
Total Net Position - End of Year					\$ (52,922,732)

See Independent Auditor's Report and Notes to Basic Financial Statements

WAVERLY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	Major Funds	
		Special Revenue Funds
	General Fund	Special Aid Fund
ASSETS		
Cash - Unrestricted	\$ 3,389,697	\$ 153,228
Cash - Restricted	2,462,194	
Due from other funds	361,781	3,815
Due from state and federal	370,949	174,312
Due from other governments	850,081	
Other receivables	78,121	
Inventories		
Total Assets	\$ 7,512,823	\$ 331,355
LIABILITIES		
Payables:		
Accounts payable	\$ 33,633	\$ 9,476
Accrued liabilities	54,724	362
Due to other funds	144,784	295,625
Due to other governments	100,910	
Bond anticipation notes payable		
Unearned revenues		25,892
Due to Teachers' Retirement System	934,950	
Due to Employees' Retirement System	72,918	
Compensated absences payable	86,428	
Total Liabilities	1,428,347	331,355
FUND BALANCES		
Nonspendable		
Restricted	2,462,194	
Assigned	1,744,295	
Unassigned	1,877,987	-
Total Fund Balances (Deficit)	6,084,476	-
Total Liabilities and Fund Balances	\$ 7,512,823	\$ 331,355

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Special Revenue Funds			
School Lunch Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 72,289	\$	\$ 404,337	\$ 4,019,551
166,157		23,193	2,651,544
6,915	23,193	134,264	529,968
36,937			582,198
			850,081
			78,121
46,195			46,195
\$ 328,493	\$ 23,193	\$ 561,794	\$ 8,757,658
\$ 969	\$	\$ 18,471	\$ 62,549
4,777			59,863
66,366		23,193	529,968
177			101,087
		2,500,000	2,500,000
			25,892
			934,950
			72,918
			86,428
72,289	-	2,541,664	4,373,655
46,195			46,195
210,009	23,193		2,695,396
			1,744,295
		(1,979,870)	(101,883)
256,204	23,193	(1,979,870)	4,384,003
\$ 328,493	\$ 23,193	\$ 561,794	\$ 8,757,658

WAVERLY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balances - Total Governmental Funds **\$ 4,384,003**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 67,124,230	
Less accumulated depreciation	<u>(21,322,704)</u>	45,801,526

The School District's proportion of the Employee Retirement Systems' collective net pension (asset) liability is not reported in the funds.

ERS net pension liability - Proportionate share	\$ (202,670)	
TRS net pension (asset) - Proportionate share	<u>426,283</u>	223,613

Deferred outflows of resources, including pensions, other postemployment benefits, and deferred charges on defeased debt represent a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 1,024,309	
Other postemployment benefits deferred outflows of resources	1,778,212	
Other postemployment benefits deferred inflows of resources	(7,355,202)	
TRS deferred inflows of resources - Pension	(1,212,276)	
ERS deferred inflows of resources - Pension	(680,547)	
TRS deferred outflows of resources - Pension	5,799,992	
ERS deferred outflows of resources - Pension	<u>654,854</u>	9,342

Long-term liabilities, including bonds payable, retainage, and amounts due to employee retirement systems, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (34,921,938)	
Installment purchase debt payable	(455,673)	
Other postemployment benefits liability	<u>(67,847,800)</u>	(103,225,411)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued interest on long-term debt	\$ <u>(115,805)</u>	<u>(115,805)</u>
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Net (Deficit) of Governmental Activities **\$ (52,922,732)**

See Independent Auditor's Report and Notes to Basic Financial Statements

WAVERLY CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds	
	General Fund	Special Revenue Funds Special Aid Fund
REVENUES		
Real property taxes	\$ 5,669,447	\$
Other tax items	1,831,204	
Charges for services	225,513	
Use of money and property	39,959	
Sale of property and compensation for loss	1,660	
Miscellaneous	390,658	4,483
State sources	21,279,109	446,639
Medicaid reimbursement	126,868	
Federal sources		925,524
Sales - School lunch		
Total Revenues	29,564,418	1,376,646
EXPENDITURES		
General support	2,362,287	
Instruction	14,372,048	1,015,471
Pupil transportation	1,007,830	9,234
Community services	85,165	7,097
Employee benefits	7,246,250	364,319
Debt service:		
Principal	2,534,522	
Interest	1,499,892	
Cost of sales		
Capital outlay		
Total Expenditures	29,107,994	1,396,121
Excess (Deficiency) of Revenues Over Expenditures	456,424	(19,475)
OTHER FINANCING SOURCES AND (USES)		
Proceeds of obligations		
Redeemed from appropriations		
Premium on obligations		
Payment to escrow		
Operating transfers in	-	19,475
Operating transfers (out)	(206,920)	
Total Other (Uses) Sources	(206,920)	19,475
Net Change in Fund Balances	249,504	-
Fund Balances (Deficit) - Beginning of Year	5,834,972	-
Fund Balances (Deficit) - End of Year	\$ 6,084,476	\$ -

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
School Lunch Fund			
\$ _____	\$ _____	\$ _____	\$ 5,669,447
_____	_____	_____	1,831,204
_____	_____	_____	225,513
424	591	_____	40,974
_____	_____	_____	1,660
154	_____	_____	395,295
56,915	_____	57,586	21,840,249
_____	_____	_____	126,868
586,980	_____	_____	1,512,504
142,446	_____	_____	142,446
_____	_____	_____	_____
786,919	591	57,586	31,786,160
_____	_____	_____	_____
_____	279,006	_____	2,641,293
314,138	_____	_____	15,701,657
_____	_____	_____	1,017,064
_____	_____	_____	92,262
136,583	_____	_____	7,747,152
_____	_____	_____	_____
_____	_____	_____	2,534,522
_____	_____	_____	1,499,892
282,844	_____	_____	282,844
_____	_____	1,743,319	1,743,319
_____	_____	_____	_____
733,565	279,006	1,743,319	33,260,005
_____	_____	_____	_____
53,354	(278,415)	(1,685,733)	(1,473,845)
_____	_____	_____	_____
_____	8,835,000	3,970,000	12,805,000
_____	_____	229,522	229,522
_____	2,275,259	_____	2,275,259
_____	(10,343,651)	_____	(10,343,651)
3,444	_____	881,088	904,007
_____	(697,087)	_____	(904,007)
_____	_____	_____	_____
3,444	69,521	5,080,610	4,966,130
_____	_____	_____	_____
56,798	(208,894)	3,394,877	3,492,285
_____	_____	_____	_____
199,406	232,087	(5,374,747)	891,718
_____	_____	_____	_____
\$ 256,204	\$ 23,193	\$ (1,979,870)	\$ 4,384,003

WAVERLY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ 3,492,285**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital depreciation exceeded outlay expense.

Capital outlay, net of disposals	\$ 1,743,318	
Depreciation expense	<u>(1,958,877)</u>	(215,559)

Bond proceeds and installment purchase debt provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount that the proceeds of debt and BANs redeemed from appropriations exceeded principal payments and amortization of bond premiums.

Principal payment	\$ 2,400,653	
Proceeds of debt	(12,805,000)	
Premium on obligations	(2,252,657)	
Transfer to escrow	10,343,651	
Amortization of premium	501,659	
Amortization of deferred charges	<u>(149,342)</u>	(1,961,036)

Long-term liabilities, such as those associated with other postemployment benefits, and retainage, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the (increase) in the amount that is reported in the Statement of Activities.

Other postemployment benefits	\$ (3,232,646)	
Retainage payable	<u>10,931</u>	(3,221,715)

Changes in the School District's proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds. This is the (increase) decrease in the proportionate share of net pension (asset) liability, deferred outflows and deferred inflows of resources.

ERS	\$ 21,878	
TRS	<u>(230,527)</u>	(208,649)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in accrued interest payable		<u>29,867</u>
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Net Change in Net Position of Governmental Activities **\$ (2,084,807)**

See Independent Auditor's Report and Notes to Basic Financial Statements

WAVERLY CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$ <u> </u>	\$ <u>618,118</u>
Cash - Restricted	<u>77,216</u>	<u> </u>
Investments - Unrestricted	<u>38,579</u>	<u> </u>
Total Assets	<u>115,795</u>	\$ <u><u>618,118</u></u>
 LIABILITIES		
Extraclassroom Activity Funds balances	<u> </u>	\$ <u>61,152</u>
Other liabilities	<u> </u>	<u>556,966</u>
Total Liabilities	<u>-</u>	\$ <u><u>618,118</u></u>
 NET POSITION		
Reserved for scholarships	\$ <u><u>115,795</u></u>	

See Independent Auditor's Report and Notes to Basic Financial Statements

WAVERLY CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 130,983
Investment earnings	119
Total Additions	131,102
DEDUCTIONS	
Scholarships and awards	135,347
Change in Net Position	(4,245)
Net Position - Beginning of Year	120,040
Net Position - End of Year	\$ 115,795

See Independent Auditor's Report and Notes to Basic Financial Statements

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of Waverly Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 85, "Omnibus 2017."

- The primary government, which is the School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the Waverly Central School District's business office, located at 15 Frederick Street, Waverly, NY 14892-1207. The School District accounts for assets held as an agent for various student organizations in an agency fund.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

Joint Venture

The School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (§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 General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7).

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

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School 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, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include 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.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund and accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for proceeds of specific revenue sources legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from state and federal grants registered for special education programs.
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund:** Accounts for accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund:** Accounts for financial resources used for renovation of the School District's educational complex.

Fiduciary Activities are those in which the School 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 School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

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 School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within one year after the end of the fiscal year.

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

Cash and Investments

The School 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 School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

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, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

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 fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School 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 Governmental 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.

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

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 1999. For assets acquired prior to July 1, 1999, historical costs have been estimated, if not available, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received. The School District uses the straight-line method of depreciation.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Summary of Significant Accounting Policies - Continued**

Capital Assets - Continued

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 2,500	30-40 Years
Building improvements	2,500	40 Years
Furniture and equipment	2,500	5-20 Years
Site improvements	2,500	20 Years

Vested Employee Benefits - Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts, the use of which is based on a last-in, first-out basis. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial 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.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Other Postemployment Benefits

School 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 School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District complies with GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable revenues is removed and revenues are recorded. Unavailable revenues are reported as deferred inflows of resources on the Balance Sheet.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

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

Long-term obligations represent the School 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.

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

The School District complies with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements - Continued

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the School District is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable** - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the School District's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the School District's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for payment of accrued employee benefits upon termination of an employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651) - 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 (GML §6-m) - Used to pay the cost of reimbursing 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School 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.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

Legally Adopted Reserves - Continued

- Tax Certiorari Reserve (Education Law §3651.1-a) - 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 which 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 fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserve (GML §6-r) - Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.
- Insurance Reserve - Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service - Used to account for interest and earnings on outstanding obligations and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 17, 2017. Taxes were collected during the period August 18, 2017 to October 17, 2017.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

Property Taxes - Enforcement

Uncollected real property taxes are subsequently enforced by Tioga and Chemung Counties in which the School District is located. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the School District no later than the following April 1.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of 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, useful lives of long-lived assets and other post-employment benefits.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to deferred charges on defeased debt, OPEB plans, and pensions in the District-wide Statement of Net Position. The types of deferred outflows of resources related to debt, pensions and OPEB are described in Notes 8, 9 and 10, respectively.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to pensions and OPEB, which are further described in Notes 9 and 10, respectively.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

New Accounting Standards

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.

Future Changes in Accounting Standards

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

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ending June 30, 2020. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 2 Participation in BOCES

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$1,888,495. The School District was billed \$5,292,666 for BOCES administration and program costs. Financial statements for the Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, NY 14903-1051.

Note 3 Cash and Cash Equivalents - Custodial and, Concentration of Credit, Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$7,515,669 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash and investments at June 30, 2018 consisted of the following:

Private Purpose Trust Fund - Restricted for scholarships	\$ <u>115,795</u>
Governmental Activities:	
General Fund reserves	\$ 2,462,194
Restricted for debt	23,193
Restricted for school lunch	<u>166,157</u>
Total Governmental Activities	\$ <u>2,651,544</u>

The School District has investments in certificates of deposit with original maturity dates of greater than three months restricted for scholarship funds. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

1. Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or
3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 3 Cash and Cash Equivalents - Custodial and, Concentration of Credit, Risk - Continued
The certificates of deposit vary in maturity and length up to 24 months. The cost and carrying value of the School District's Certificate of Deposit at June 30, 2018 is \$38,579.

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

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

Note 4 Due from Other Governments

Due from other governments consisted of the following, which are stated at net realizable value.

Description	Amount
BOCES September Aid	\$ 850,081
Total	\$ 850,081

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2018, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 361,781	\$ 144,784	\$	\$ 206,920
Special Aid Fund	3,815	295,625	19,475	
School Lunch Fund	6,915	66,366	3,444	
Debt Service Fund	23,193			697,087
Capital Project Fund	134,264	23,193	881,088	
Total	\$ 529,968	\$ 529,968	\$ 904,007	\$ 904,007

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

The School 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.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

Governmental Activities	Beginning Balance	Additions	Reclassifications & Disposals	Ending Balance
Capital assets that are not depreciated:				
Land	\$ 110,178	\$	\$	\$ 110,178
Construction in progress	485,537	1,685,732	(1,969,649)	201,620
Total Nondepreciable Historical Cost	<u>595,715</u>	<u>1,685,732</u>	<u>(1,969,649)</u>	<u>311,798</u>
Capital assets that are depreciated:				
Buildings	59,203,044		1,969,649	61,172,693
Furniture and equipment	5,582,153	57,586		5,639,739
Total Depreciable Historical Cost	<u>64,785,197</u>	<u>57,586</u>	<u>1,969,649</u>	<u>66,812,432</u>
Total Historical Cost	<u>65,380,912</u>	<u>1,743,318</u>	<u>-</u>	<u>67,124,230</u>
Less accumulated depreciation:				
Buildings	(15,685,921)	(1,541,887)		(17,227,808)
Furniture and equipment	(3,677,906)	(416,990)		(4,094,896)
Total Accumulated Depreciation	<u>(19,363,827)</u>	<u>(1,958,877)</u>	<u>-</u>	<u>(21,322,704)</u>
Total Historical Cost, Net	\$ <u>46,017,085</u>	\$ <u>(215,559)</u>	\$ <u>-</u>	\$ <u>45,801,526</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 19,785
Instruction	1,772,000
Pupil transportations	157,494
School lunch program	<u>9,598</u>
Total Depreciation Expense	\$ <u>1,958,877</u>

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Short-term Debt - Continued

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

The School District may issue bond anticipation notes (BANs), 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District redeemed BANs in the amount of \$9,150,000 and issued BANs in the amount of \$7,050,000 during the year.

The following is a summary of the BAN activity for the year:

	Beginning Balance	Issued	Refinanced/ Redeemed	Ending Balance
BANs	\$ 4,600,000	\$ 7,050,000	\$ (9,150,000)	\$ 2,500,000
Total	\$ 4,600,000	\$ 7,050,000	\$ (9,150,000)	\$ 2,500,000

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

Interest paid	\$ 147,041
(Less) interest accrued in the prior year	(86,122)
Plus interest accrued in the current year	47,344
(Less) premiums on BANs	(22,602)
Total	\$ 85,661

Note 8 Long-term Debt

At June 30, 2018, the total outstanding indebtedness of the School District represented 85.8% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- **Serial Bonds** - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

- Installment Purchase Debt - The School District enters into installment purchase agreements for the purchase of school buses. Total vehicles under these leases amounted to \$698,766. Depreciation expense of \$128,842 was recorded during the year ended June 30, 2018. Total accumulated depreciation on installment purchase debt at year end totaled \$331,970, resulting in a net book value at year-end of \$366,796.

The following is a summary of the School District's long-term debt for the year ended June 30, 2018:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
Serial Bonds				
DASNY bonds	07/01/2011	06/15/2026	4.00% - 5.00%	\$ 5,285,000
DASNY bonds	06/15/2015	06/15/2030	3.00% - 5.00%	11,910,000
DASNY bonds	06/07/2018	06/15/2032	5.00%	3,970,000
Total Serial Bonds				<u>21,165,000</u>
Refunding Bonds	11/09/2017	06/15/2026	2.00% - 5.00%	8,830,000
Net Refunding Bonds				<u>8,830,000</u>
Premiums				
Refunding unamortized premium				1,461,612
DASNY unamortized premiums				3,465,326
Total Premiums				<u>4,926,938</u>
Total				<u><u>\$ 34,921,938</u></u>

Interest paid on long-term debt during the year was comprised of:

Interest paid	\$ 1,352,851
(Less) interest accrued in the prior year	(59,550)
Plus interest accrued in the current year	68,461
(Less) amortization of bond premiums	(501,659)
Plus amortization of deferred charges on defeased debt	149,342
Total	<u><u>\$ 1,009,445</u></u>

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

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

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 28,665,000	\$ 12,805,000	\$ (11,475,000)	\$ 29,995,000	\$ 2,570,000
DASNY bond premium	3,175,940	577,945	(288,559)	3,465,326	329,841
Premium refunding		1,674,712	(213,100)	1,461,612	238,195
Installment debt	551,326		(95,653)	455,673	95,653
	<u>32,392,266</u>	<u>15,057,657</u>	<u>(12,072,312)</u>	<u>35,377,611</u>	<u>3,233,689</u>
Deferred charges on defeased debt		(1,173,651)	149,342	(1,024,309)	(166,929)
Total	\$ 32,392,266	\$ 13,884,006	\$ (11,922,970)	\$ 34,353,302	\$ 3,066,760

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2018.

Year	Payments
2019	\$ 95,653
2020	208,152
2021	43,868
2022	<u>108,000</u>
Total	\$ <u>455,673</u>

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2019	\$ 2,570,000	\$ 2,266,958	\$ 4,836,958
2020	2,765,000	1,999,750	4,764,750
2021	2,905,000	1,781,850	4,686,850
2022	2,985,000	1,552,850	4,537,850
2023	3,135,000	1,326,300	4,461,300
2024-2028	13,210,000	2,905,000	16,115,000
2029-2032	<u>2,425,000</u>	<u>215,900</u>	<u>2,640,900</u>
Total	\$ <u>29,995,000</u>	\$ <u>12,048,608</u>	\$ <u>42,043,608</u>

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

On November 9, 2017, the School District issued \$8,835,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$9,170,000 of outstanding various general obligation bonds with interest rate of 5.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$9,170,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$8,835,000 at June 30, 2017.

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Teachers' Retirement System (TRS) - Continued

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Employees' Retirement System (ERS)

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

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Employees' Retirement System (ERS) - Continued

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

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

	ERS	TRS
2018 \$	291,924 \$	1,024,951
2017	309,217	1,158,847
2016	363,557	1,661,276

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

At June 30, 2018, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension (asset) liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/1/2017	6/30/2016
Net pension (asset) liability	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension (asset) liability	202,670	(426,283)
School District's share of the net pension (asset) liability	0.006280%	0.056083%

For the year ended June 30, 2018, the School District recognized pension expense of \$264,057 for ERS and \$1,112,113 for TRS in the District-wide financial statements. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 72,286	\$ 350,725	\$ 59,734	\$ 166,203
Changes of assumptions	134,387	4,337,510		
Net differences between projected and actual earnings on pension plan investments	294,363		581,042	1,004,019
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	80,900	246,873	39,771	42,054
School District's contributions subsequent to the measurement date	72,918	864,884		
Total	\$ 654,854	\$ 5,799,992	\$ 680,547	\$ 1,212,276

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2019	\$ 62,425	\$ 139,034
2020	47,081	1,187,959
2021	(140,950)	861,608
2022	(67,167)	244,255
2023		859,219
Thereafter		430,757

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate of return	7.0%	7.3%
Salary increases	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	0.3%	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School 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 or higher than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
School District's proportionate share of the net pension (asset) liability	\$ 1,533,458	\$ 202,670	\$ (923,123)
TRS			
School District's proportionate share of the net pension (asset) liability	\$ 7,343,589	\$ (426,283)	\$ (6,933,165)

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset)	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	\$ 3,227,445	\$ (760,099)
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	(100.7%)

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$72,918.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$934,950.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension (asset) liability	\$ 656,242	\$ (453,572)	\$ 202,670
Deferred outflows of resources	(518,192)	(136,662)	(654,854)
Deferred inflows of resources	112,191	568,356	680,547
Subtotal	<u>250,241</u>	<u>(21,878)</u>	<u>228,363</u>
TRS			
Net pension (asset) liability	617,655	\$ (1,043,938)	\$ (426,283)
Deferred outflows of resources	(6,111,463)	311,471	(5,799,992)
Deferred inflows of resources	249,282	962,994	1,212,276
Subtotal	<u>(5,244,526)</u>	<u>230,527</u>	<u>(5,013,999)</u>
Total	<u>\$ (4,994,285)</u>	<u>\$ 208,649</u>	<u>\$ (4,785,636)</u>

Note 10 Postemployment Benefits Other Than Pensions (OPEB)

During the year ended June 30, 2018 the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Postemployment Benefits Other than Pensions - Continued

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries	
currently receiving benefit payments	260
Inactive employees entitled to	
but not yet receiving benefit payments	-
Active Employees	<u>205</u>
	<u><u>465</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$67,847,800 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate:	3.56%
Single Discount Rate	3.56%
Salary Scale	3.00%
Rate of Inflation	2.25%
Marital Assumption	70.00%
Participation Rate	100.00%
Healthcare Cost Trend Rates	7.25% to 5.00% for 2018, decreasing to an ultimate rate of 3.886% for 2075 and later years

The long-term bond rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience study released by the Retirement Systems Actuary and published in their August 2015 report. The TRS rates are based on the July 1, 2009 to June 30, 2014 experience study released by the Office of the Actuary and published in their October 19, 2015 report.

Election percentage: It was assumed that 95% of future retirees eligible for coverage will elect retiree group benefits. Upon reaching age 65, current and future retirees were assumed to elect coverage in the NY44 Traditional and MVP Gold Anywhere medical plans.

Spousal Coverage: It was assumed that 65% of future retirees will elect spousal coverage upon retirement.

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

The actuarial assumptions used in the June 30, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 71,839,654
Changes for the year	
Service cost	2,853,861
Interest cost	2,156,997
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(7,355,202)
Benefit payments	(1,647,510)
Net change	(3,991,854)
Balance at June 30, 2018	\$ 67,847,800

Changes of assumptions and other inputs reflect a change in the discount rate from 2.9% percent in 2016 to 3.6% in 2017.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 79,842,206	\$ 67,847,800	\$ 58,268,316

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

	1% Decrease (6.25% to 4.00%)	Healthcare Cost Trend Rate (7.50% to 5.00%)	1% Increase (8.25% to 6.00%)
Total OPEB liability	\$ 57,286,603	\$ 67,847,800	\$ 81,500,714

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$5,010,858.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 1,778,212	\$ 7,355,202
Contributions subsequent to the measurement date		
Total	\$ 1,778,212	\$ 7,355,202

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

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
2019	\$ (1,084,838)
2020	(1,084,838)
2021	(1,084,838)
2022	(1,084,838)
2023	(1,084,838)
2024 and Thereafter	(1,931,012)

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
Other postemployment benefits liability	\$ 71,839,654	\$ (3,991,854)	\$ 67,847,800
Deferred outflows of resources	(1,647,510)	(130,702)	(1,778,212)
Deferred inflows of resources		7,355,202	7,355,202
Total Effect on Net Position	\$ 70,192,144	\$ 3,232,646	\$ 73,424,790

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

Risk Financing and Related Insurance - Health Insurance

Effective June 1, 2013, the District joined the NY44 Health Care Consortium. The NY44 Health Benefit Plan Trust (Trust) was established in 2003 as a federal tax exempt Article 44 Trust to contain health care costs at Erie 1 BOCES. The Trust later expanded to employees and eligible retirees of not only Erie 1 BOCES but also to schools throughout New York State. Beginning its tenth year of operation, and having achieved self-funded status in January 2008, the Trust has grown to approximately 14,000 enrollees in 50 participating school districts, BOCES, and community colleges, representing more than 177 bargaining units. The Trust, overseen by the New York Insurance Department, is controlled by 10 trustees who are employees of Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management have an equal say in how it operates, including decisions about benefits offered to members and annual contribution rates charged to participants. As a self-funded plan, the Trust benefits from being contribution rated which more closely reflect the actual health claims experience of the Trust's covered employees as opposed to a traditional insurance plan, employing a 'community rating.' All current employees and retirees under the age of 65 are covered by NY44. For retirees over 65, they have the choice of NY44 or the MVP Medicare Advantage Plan. The MVP plan in many ways mirrors the coverage of NY44.

The Trust financial statements may be obtained from the NY44 Health Benefits Plan Trust administrative office at 355 Harlem Road, West Seneca, New York 14224 or the following link: <http://www.ny44.e1b.org/site/Default.aspx?PageID=10>

The Plan used a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

Waverly Central School District

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Commitments and Contingencies - Continued

Risk Financing and Related Insurance - Health Insurance - Continued

The Plan established a liability for both reported and unreported insured events, which included estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$5,373,367.

Until May 31, 2013, the School District participated and incurred costs related to an employee health insurance plan CST Healthcare (Plan) sponsored by the BOCES and a few of its component districts. The Plan's objectives were to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts that joined the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to the May 1 immediately preceding the commencement of the next school year. Plan members included six school districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan was terminated effective June 30, 2013 with participating Districts being responsible for their claims until the Fall of 2014.

Other Items

The School 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 audits, the School District's administration believes disallowances, if any, will be immaterial.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 12 Fund Balance Detail

At June 30, 2018, nonspendable, restricted and assigned fund balances in the governmental funds were as follows:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>
Nonspendable			
Inventory	\$	\$ 46,195	\$
Total Nonspendable Fund Balance	\$ -	\$ 46,195	\$ -
Restricted			
Retirement contribution reserve	\$ 408,683		\$
Tax certiorari reserve	1,016,746		
Unemployment insurance reserve	45,563		
Insurance Reserve	145,906		
Employee benefit accrued liability reserve	182,765		
Capital reserve	662,531		
School lunch		210,009	
Debt			23,193
Total Restricted Fund Balance	\$ 2,462,194	\$ 210,009	\$ 23,193
Assigned			
Appropriated for next year's budget	\$ 1,664,126		\$
Encumbered for:			
General support	17,257		
Instruction	61,774		
Pupil transportation	778		
Home and recreation	360		
Total Assigned Fund Balance	\$ 1,744,295	\$ -	\$ -

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Restricted Fund Balances

General Fund

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The General Fund reserves balances and activity for the year ended June 30, 2018 are as follows:

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Tax certiorari reserve	\$ 1,015,177	\$	\$ 1,569	\$	\$ 1,016,746
Unemployment insurance reserve	45,540		23		45,563
Insurance reserve	145,688		218		145,906
Retirement contribution reserve	407,836		847		408,683
Employee benefit accrued liability reserve	302,800	20,397		(140,432)	182,765
Capital reserve	661,512		1,019		662,531
Total	\$ 2,578,553	\$ 20,397	\$ 3,676	\$ (140,432)	\$ 2,462,194

Note 14 Stewardship, Compliance, and Accountability

Deficit Net Position

At June 30, 2018 the District-wide Statement of Net Position had an unrestricted net deficit of \$(64,566,352). This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 10.) The deficit is not expected to be eliminated during the normal course of operations.

Deficit Fund Balance

At June 30, 2018, the Capital Fund reported a deficit of \$(1,979,870). This deficit will be eliminated when short-term debt is refinanced into long-term debt and a current project is funded.

Compliance with Real Property Tax Law §1318

At June 30, 2018, the General Fund had an unassigned fund balance in excess of the 4% maximum unassigned fund balance allowed under §1318 of Real Property Law. The unassigned fund balance was \$572,645 over the maximum allowed, or 5.75% of the 2018-2019 voter approved budget.

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 15 Tax Abatements

For the year ended June 30, 2018, property in the School District was subject to property tax abatements negotiated by the Tioga County Industrial Development Agency (TCIDA), the Village of Waverly, the Chemung County Treasurer's office, and Vulcraft Corp of Chemung, NY.

TCIDA enters into payments in lieu of taxes (PILOT) agreements with businesses within Tioga County under New York State General Municipal Law 858. Economic development agreements entered into by TCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which TCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction. School District property tax revenue was reduced by \$38,515. The School District received PILOT payments totaling \$16,376.

The Village of Waverly enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$24,790. The School District received PILOT payments totaling \$10,624.

The Chemung County Treasurer's Office enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$108,558. The School District received PILOT payment totaling \$388,858.

Vulcraft of Chemung, NY enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$182,152. The School District received payment in Lieu of Tax (PILOT) payment totaling \$80,193.

Note 16 Restatement

The School District's June 30, 2018 net position has been restated to reflect the following:

Net Position (Deficit) Beginning of Year	\$ 148,798
change in beginning OPEB plan liability	(52,634,233)
Beginning OPEB plan deferred outflows of resources	<u>1,647,510</u>
Net (Deficit) Beginning of Year, as Restated	<u>\$ (50,837,925)</u>

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real property taxes	\$ 6,973,977	\$ 6,973,977	\$ 5,669,447	(1,304,530)
Other tax items	454,986	454,986	1,831,204	1,376,218
Charges for services	160,004	160,004	225,513	65,509
Use of money and property	37,000	37,000	39,959	2,959
Sale of property and compensation for loss	-	-	1,660	1,660
Miscellaneous	203,000	203,000	390,658	187,658
Total Local Sources	<u>7,828,967</u>	<u>7,828,967</u>	<u>8,158,441</u>	<u>329,474</u>
State sources	21,687,288	21,687,288	21,279,109	(408,179)
Medicaid reimbursement	54,539	54,539	126,868	72,329
Total Revenues	<u>29,570,794</u>	<u>29,570,794</u>	<u>29,564,418</u>	<u>(6,376)</u>
OTHER FINANCING SOURCES				
Operating transfers in	384,564	384,564	-	(384,564)
Total Revenues and Other Financing Sources	<u>29,955,358</u>	<u>29,955,358</u>	<u>\$ 29,564,418</u>	<u>\$ (390,940)</u>
Appropriated Fund Balance	<u>1,664,126</u>	<u>1,664,126</u>		
Encumbrances from Prior Year	<u>20,340</u>	<u>20,340</u>		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u><u>\$ 31,639,824</u></u>	<u><u>\$ 31,639,824</u></u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 32,867	\$ 35,122
Central administration	189,070	179,336
Finance	235,629	247,605
Staff	84,681	84,682
Central services	1,248,352	1,250,801
Special items	733,264	733,264
Total General Support	<u>2,523,863</u>	<u>2,530,810</u>
Instruction		
Instruction, administration, and improvement	1,007,175	1,005,132
Teaching - Regular school	8,508,998	8,716,898
Programs for children with handicapping conditions	3,524,864	3,281,575
Occupational education	848,785	848,785
Teaching - Special school	81,293	81,293
Instructional media	267,729	282,715
Pupil services	1,255,900	1,251,957
Total Instruction	<u>15,494,744</u>	<u>15,468,355</u>
Pupil transportation	1,037,706	1,056,824
Community services	100,800	100,800
Employee benefits	8,222,511	8,202,916
Debt Service		
Principal	2,530,000	2,535,000
Interest	1,627,200	1,538,199
Total Debt Service	<u>4,157,200</u>	<u>4,073,199</u>
Total Expenditures	<u>31,536,824</u>	<u>31,432,904</u>
OTHER FINANCING USES		
Operating transfers out	103,000	206,920
Total Expenditures and Other Financing Uses	<u><u>\$ 31,639,824</u></u>	<u><u>\$ 31,639,824</u></u>

Net Change in Fund Balances

Fund Balance - Beginning of Year

Fund Balance - End of Year

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 34,390	\$ -	\$ 732
165,547	-	13,789
238,715	234	8,656
68,487	3,547	12,648
1,128,992	13,476	108,333
726,156	-	7,108
2,362,287	17,257	151,266
886,214	3,013	115,905
8,176,531	34,436	505,931
3,107,003	4,942	169,630
771,245	-	77,540
63,157	-	18,136
252,692	13,685	16,338
1,115,206	5,698	131,053
14,372,048	61,774	1,034,533
1,007,830	778	48,216
85,165	360	15,275
7,246,250	-	956,666
2,534,522		478
1,499,892		38,307
4,034,414	-	38,785
29,107,994	80,169	2,244,741
\$ 206,920		-
29,314,914	<u>\$ 80,169</u>	<u>\$ 2,244,741</u>
249,504		
5,834,972		
<u>\$ 6,084,476</u>		

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	<u>291,924</u>	\$ 309,217	\$ 363,557
Contributions in relation to the contractually required contribution	(291,924)	(309,217)	(363,557)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	1,980,881	2,075,540	2,031,007
Contributions as a percentage of covered - employee payroll	14.7%	14.9%	17.9%

* Information not readily available

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	<u>864,884</u>	\$ 1,024,951	\$ 1,158,847
Contributions in relation to the contractually required contribution	(864,884)	(1,024,951)	(1,158,847)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	8,825,347	8,745,316	8,739,419
Contributions as a percentage of covered - employee payroll	9.8%	11.7%	13.3%

See Independent Auditor's Report and Notes to Required Supplementary Information

2015	2014	2013	2012	2011	2010	2009
\$ 394,435	\$ 406,431	\$ 327,992	\$ 287,470	\$ 232,177	\$ 135,994	\$ 162,304
(394,435)	(406,431)	(327,992)	(287,470)	(232,177)	(135,994)	(162,304)
-	-	-	-	-	-	-
2,015,748	1,968,226	1,848,668	1,882,508	*	*	*
19.6%	20.6%	17.7%	15.3%	*	*	*

2015	2014	2013	2012	2011	2010	2009
\$ 1,661,276	\$ 1,381,440	\$ 1,019,591	\$ 928,304	\$ 688,055	\$ 500,377	\$ 594,817
(1,661,276)	(1,381,440)	(1,019,591)	(928,304)	(688,055)	(500,377)	(594,817)
-	-	-	-	-	-	-
9,476,760	8,501,169	8,611,410	8,355,572	7,982,077	8,083,635	7,795,767
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.0062796%	0.0069841%	0.0071353%	0.0076083%
School District's proportionate share of the net pension (asset) liability	\$ 202,670	\$ 656,242	\$ 1,145,238	\$ 257,026
School District's covered-employee payroll	1,967,587	2,060,022	2,010,045	2,017,649
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	10.3%	31.9%	57.0%	12.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.056083%	0.057669%	0.060721%	0.058968%
School District's proportionate share of the net pension (asset) liability	\$ (426,283)	\$ 617,655	\$ (6,306,970)	\$ (6,568,650)
School District's covered-employee payroll	8,745,316	8,739,419	9,476,760	8,501,166
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	(4.9%)	7.1%	(66.6%)	(77.3%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	(110.5%)	(111.5%)

See Independent Auditor's Report and Notes to Required Supplementary Information

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 2,853,861	\$ *	\$ *
Interest cost	2,156,997	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	-	*	*
Changes in assumptions or other inputs	(7,355,202)	*	*
Benefit payments	(1,647,510)	*	*
	(3,991,854)	*	*
Total OPEB Liability - Beginning	71,839,654	*	*
Total OPEB Liability - Ending	\$ 67,847,800	\$ 71,839,654	*
Covered employee payroll	11,464,736	*	*
Total OPEB Liability as a Percentage of Covered Payroll	592%	*	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

See Independent Auditor's Report and Notes to Required Supplementary Information

Waverly Central School District

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Budgetary Procedures and Budgetary Accounting

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

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted budget	\$ 31,619,484
Carryover encumbrances	<u>20,340</u>
Original budget	<u>31,639,824</u>
Final Budget	\$ <u>31,639,824</u>

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.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2018 .

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

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 in each period:

2018 - 3.6%
2017 - 2.9%

WAVERLY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

- Note 4** **Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability**
The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.
- Note 5** **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability NYSLRS**

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

Waverly Central School District

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who joined on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.25% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

Waverly Central School District

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
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Inflation	2.5%
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Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
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Cost of living adjustments	1.5% compounded annually
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WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 31,619,484
Prior year's encumbrances	<u>20,340</u>
Final Budget	<u>\$ 31,639,824</u>

§ 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	<u>\$ 32,633,544</u>
Maximum allowed (4% of 2018-2019 Budget)	\$ 1,305,342
General Fund fund balance subject to §1318 of Real Property Tax Law:	
Unrestricted Fund Balance:	
Assigned fund balance	\$ 1,744,295
Unassigned fund balance	<u>1,877,987</u>
Total Unrestricted Fund Balance	<u>3,622,282</u>
Less:	
Appropriated fund balance	\$ 1,664,126
Encumbrances included in committed and assigned fund balance	<u>80,169</u>
Total Adjustments	<u>1,744,295</u>
General Fund Fund Balance Subject to §1318 of Real Property Law	<u>\$ 1,877,987</u>
Actual Percentage	5.75%

See Independent Auditor's Report

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
Elm Street Parking Lot # 0001 1012	\$ 500,000	\$ 500,000	\$ 425,461	\$	\$ 425,461
Elm Street Parking Lot # 0001 1013			3,381		3,381
Chemung Elem. Renovations # 0009 009	600,000	600,000	139,859		139,859
Lincoln Street School Renovations # 0016 009			693,239		693,239
High School Track #0018 014	3,050,000	3,050,000	3,341,441		3,341,441
HS/MS Renovations # 0018 015	2,500,000	2,500,000	393,931	1,575,718	1,969,649
HS/MS Renovations # 0018 018	100,000	100,000		99,794	99,794
Concession Stand # 7022 002	30,000	30,000			
Bus Garage Fuel Tank Replacement # 500207				10,221	10,221
SMART BONDS				57,586	57,586
Subtotal	6,780,000	6,780,000	4,997,312	1,743,319	6,740,631
Unredeemed BANs					
Total	\$ 6,780,000	\$ 6,780,000	\$ 4,997,312	\$ 1,743,319	\$ 6,740,631

* Architectural and State approved budget modifications for sub-project reallocations
not yet finalized and available at this report date.

See Independent Auditor's Report

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2018	
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ 74,539	\$ 450,000	\$	\$	\$ 450,000	\$ 24,539 *
(3,381)			3,381	3,381	- *
460,141	500,000			500,000	360,141 *
(693,239)	600,000			600,000	(93,239) *
(291,441)	3,050,000			3,050,000	(291,441) *
530,351	2,500,000			2,500,000	530,351 *
206			99,794	99,794	-
30,000				-	-
(10,221)				-	(10,221)
(57,586)		57,586		57,586	-
39,369	7,100,000	57,586	103,175	7,260,761	520,130
	(2,500,000)			(2,500,000)	(2,500,000)
\$ 39,369	\$ 4,600,000	\$ 57,586	\$ 103,175	\$ 4,760,761	\$ (1,979,870)

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>45,801,526</u>
Add:	
Refunding deferral	<u>1,024,309</u>
Deduct:	
Bond anticipation notes	<u>(2,500,000)</u>
Short-term portion of installment purchase debt	<u>(95,653)</u>
Long-term portion of installment purchase debt	<u>(360,020)</u>
Short-term portion of bonds payable	<u>(2,570,000)</u>
Long-term portion of bonds payable	<u>(27,425,000)</u>
Premium on bonds payable	<u>(4,926,938)</u>
Net Investment in Capital Assets	\$ <u><u>8,948,224</u></u>

See Independent Auditor's Report

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

Board of Education
Waverly Central School District
Waverly, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waverly Central School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2018

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

Board of Education
Waverly Central School District
Waverly, New York

Report on Compliance for Each Major Federal Program

We have audited Waverly Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 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 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the 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, 2018.

Report on Internal Control over Compliance

Management of the 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 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2018

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass -Through Grantor Program Title	Federal CFDA #	Pass -Through Grantor #	Pass -Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through Greater Southern Tier BOCES:				
Twenty-First Century Community Learning Centers	84.287	0187132805	\$	\$ 36,287
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021183330		364,512
Title I Grants to Local Educational Agencies	84.010	0011182154		67,029
Subtotal			-	431,541
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	0032180973		365,200
Special Education - Preschool Grants	84.173	0033180973		12,779
Total Special Education Cluster			-	377,979
Improving Teacher Quality State Grants	84.367	0147183330		79,717
Total U.S. Department of Education			-	925,524
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch	10.555	006731		465,411
School Breakfast Program	10.553	006731		106,732
Summer Food Program	10.559	006731		14,837
Total Child Nutrition Cluster			-	586,980
Total U.S. Department of Agriculture			-	586,980
Total Expenditures of Federal Awards			\$ -	\$ 1,512,504

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

Waverly Central School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Basis of Presentation

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

Note 2 Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 Matching Costs

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 Non-Monetary Federal Program

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the School District received \$45,418 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 Subrecipients

No amounts were provided to subrecipients.

Note 7 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 School District's casualty insurance policies.

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

WAVERLY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B

Programs \$ 750,000

Auditee qualified as low-risk? X yes no

Waverly Central School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

2018-001 Fund Balance Limitation

Condition

The School District is allowed, under New York State Real Property Tax Law (Code §1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance. At June 30, 2018, the unassigned fund balance was \$572,645 in excess of the allowable amount.

Criteria:

The School District is allowed, under New York State Real Property Tax Law (Code §1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:

The School District underspent 2017-2018 appropriations.

Effect:

The School District is not in compliance with New York State Real Property Tax Law (Code §1318).

Questioned Costs:

None

Recommendation:

We recommend continued formal long-term (three to five years) budgetary planning in conjunction with the annual budgetary process. We also recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budgeting process, we recommend the School District estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which should be used to reduce the tax levy in accordance with New York State Real Property Tax Law.

Response:

The ending of the 2017-18 fiscal year left the School District with a fund balance over the 4% limit. The 2017-18 budget was designed to reduce fund balance by approximately \$150,000. This did not happen for a few reasons: 1) The budget was designed with the salary of an experienced superintendent. He abruptly retired in June and new, permanent superintendent was not hired until mid February. Therefore there was excess of salary in that account; 2) We refunded bonds on the advice of our fiscal advisors. This was done during the school year and the savings amounted to \$100,000; 3) renegotiation of administrators contract during the current year resulted in \$80,000+ in current year savings due to a restructuring of leave days.

Section III - Federal Award Findings and Questioned Costs

None