

OFFICIAL STATEMENT

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the alternative minimum tax imposed on individuals by the Internal Revenue Code of 1986, as amended (the "Code"), except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX MATTERS" herein.

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

\$3,619,836

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

FULTON, HERKIMER AND MONTGOMERY COUNTIES, NEW YORK

\$3,619,836 Bond Anticipation Notes, 2019

**At an Interest Rate of 1.50% to Yield 1.27%
CUSIP #: 683781AB4**

Dated: December 19, 2019

Due: June 19, 2020

The Notes are general obligations of the Oppenheim-Ephratah-St. Johnsville Central School District, Fulton, Herkimer, and Montgomery 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 "Nature of the Obligation" and "Tax Levy Limitation Law" herein. The Notes will be issued without the option of prepayment, with interest payable at maturity.

The Notes are issued as registered book-entry-only form, the Notes will be registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof except for one odd payment of \$9,836. If the Notes are issued as registered notes, payment of principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct Participants and the District, subject to any statutory and regulatory requirements as may be in the effect from time to time. 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 an unqualified legal opinion as to the validity of the Notes of Barclay Damon LLP., Albany, 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, with the Purchaser(s), on or about December 19, 2019.

Jefferies

THIS REVISED OFFICIAL STATEMENT SUPPLEMENTS THE OFFICIAL STATEMENT OF THE SCHOOL DISTRICT DATED NOVEMBER 26, 2019 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12. OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE AND THE DATED DATE ON PAGE 38, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

DATED: December 5, 2019

**OPPENHEIM-EPHRATH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT
FULTON, HERKIMER AND MONTGOMERY COUNTIES, NEW YORK**

School District Officials

2019-20 BOARD OF EDUCATION

Neil Clark - President
Dean Handy - Vice President

Sarah Barnes
Chad Barnes
Jeremy Brundage
Susanne Sammons
Shellie Walwrath

.....
Dr. Joseph L. Natale - Superintendent of Schools
Karen Mettler – Interim Treasurer
Stephanie Bonk – Clerk
.....

School District Attorney

Girvin & Ferlazzo, P.C.

BOND COUNSEL

Barclay Damon LLP

MUNICIPAL ADVISOR



R. G. Timbs, Inc.

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

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OFFICIAL STATEMENT

of the

**OPPENHEIM-EPHRATAH-ST JOHNSVILLE CENTRAL SCHOOL
DISTRICT**

FULTON, HERKIMER AND MONTGOMERY COUNTIES, NEW YORK

Relating To

\$3,619,836 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page, has been prepared by the Oppenheim-Ephratah-St. Johnsville Central School District, Fulton, Herkimer and Montgomery Counties, New York (the “District”, “County” and “State,” respectively) in connection with the sale by the School District of \$3,619,836 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 form of the Notes and such proceedings.

Description of the Notes

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

The Notes are dated December 19, 2019 and mature, without option of prior redemption, June 19, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

Notes will be issued as registered notes at the option of the Purchaser(s) either (i) requested 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.

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.

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.

Purpose and Authorization

The Notes are authorized to be issued pursuant to the Constitution and laws of the State of New York, including among others, the Education Law, the Local Finance Law, and pursuant to a bond resolution dated January 4, 2017, authorizing the issuance of obligations of the District in the amount of \$19,819,806 for the financing of the reconstruction of District buildings and facilities. In June 2019 the District issued \$15,000,000 Bond Anticipation Notes against said Authorization.

The proceeds of the Notes will provide \$3,619,836 in new monies for the aforementioned purpose.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered Notes 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, only if requested by the purchaser prior to the initial issuance of Notes. One fully-registered note certificate will be issued for each of the notes 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, National Securities Clearing Corporation 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 of them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Notes documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC not its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

In the event the purchaser does not request the DTC book-entry-only system apply to the Notes on the date of initial issuance thereof, or in the event that book-entry only system is requested but subsequently discontinued by either DTC or the District, the following provisions will apply:

The Notes will be issued registered in the name of the purchaser in denominations of \$5,000 each or integral multiples thereof, except for any necessary odd denomination. Principal of and interest on the Notes will be payable at the offices of the School District or at the option of the purchaser or noteholder, as the case may be, 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 a fiscal agent by the District. Paying agent fees, if any, shall be the responsibility of the purchaser or noteholder, as the case may be. The Notes will remain not subject to redemption prior to their stated final maturity date.

The District

The School District is located in upstate New York, approximately 10 miles north of the New York State Thruway (I #90) and midway between the Cities of Utica and Amsterdam. It is approximately 10 miles northeast of the City of Little Falls and 5 miles east of the Village of Dolgeville. It is also approximately 10 miles west of the Cities of Gloversville and Johnstown.

Major highways within, and in close proximity to, the School District include State highways #5, #10, #29 and #331, as well as Interstate #90.

The School District is primarily residential in character with some farming activity to a lesser degree. Many of the residents are employed in, and in close proximity to, the Cities of Little Falls, Gloversville and Johnstown and the Village of Dolgeville. All commercial and professional services are afforded the residents within the School District, as well as within the aforementioned Cities and Village.

Merger

Residents of the Oppenheim-Ephratah and St. Johnsville school districts approved an advisory referendum on November 1, 2011, asking whether the Oppenheim-Ephratah Central School District and St. Johnsville Central School District should be joined together as a single district by centralization.

The St. Johnsville Central School District conducted a merger study with Oppenheim-Ephratah Central School District in May of 2011. The merger was voted on by residents of both school districts and approved in the Fall of 2011. The final count was Oppenheim-Ephratah 391 yes, 326 no; St. Johnsville 493 yes, 85 no. Four votes were voided in Oppenheim-Ephratah. Those results were submitted to the New York Department of Education who established the framework for a final referendum that took place on December 7, 2011. The District went through a second study and another vote was held on December 11, 2012.

On December 11, 2012, residents of the Oppenheim-Ephratah Central School District voted in favor of a binding referendum approving a merger with the St. Johnsville Central School District. The merger vote passed in St. Johnsville in December of 2011. The process began on July 1, 2013 to transition the two districts into a single entity – the Oppenheim-Ephratah-St. Johnsville Central School District.

The newly merged District voted on March 19, 2013 to elect a new seven-member board of education. The newly merged school district officially began operation on July 1, 2013.

District Population

The 2017 population of the School District is estimated to be 5,866 (Source: 2017 U.S. Census Bureau estimate).

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
Towns Of:						
St. Johnsville	\$15,116	\$16,767	\$19,702	\$39,830	\$41,453	\$40,074
Palatine	17,416	19,146	24,040	40,284	52,321	69,750
Minden	15,099	20,320	19,851	33,654	42,500	46,855
Danube	13,572	17,714	26,755	32,500	40,000	71,827
Oppenheim	13,504	18,034	23,531	34,306	45,484	51,833
Ephratah	14,656	21,511	25,252	36,324	58,068	57,500
Stratford	13,120	18,666	26,132	33,125	39,432	51,591
Johnstown	17,910	27,382	31,050	44,167	62,076	71,361
Manheim	15,429	23,860	21,261	39,032	53,724	60,123
County Of:						
Fulton	\$16,844	\$23,147	\$26,298	\$39,801	\$50,425	\$59,367
Herkimer	16,141	21,908	24,932	40,570	53,288	61,412
Montgomery	17,005	22,347	25,307	40,688	53,476	58,912
State Of:						
New York	\$23,389	\$30,948	\$35,752	\$51,691	\$67,405	\$77,141

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 Survey data.

District Facilities

<u>Name</u>	<u>Grades</u>	<u>Year Built</u>	<u>Current Maximum Capacity</u>	<u>Date of Last Addition or Alteration</u>
OESJ Elementary School Building	PK-6	1948	700	2019
DHR Building	K-6	1949	280	2003
OESJ Junior/Senior High School	7-12	1925	239	2019
Agricultural & Industry Arts Building	7-12	1945	50	2019

Source: District Officials

District Employees

The District employs a total of 141 full-time and 17 part-time employees with representation by the various bargaining units listed below

<u>Bargaining Unit</u>	<u>Employees</u>	<u>Expiration Date</u>
Teachers	86	6/30/2020
CSEA	60	6/30/2022
Administration	4	6/30/2021
Employees not in a bargaining unit	8	N/A

Source: District Officials

Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2015-16	743	2020-21	720
2016-17	747	2021-22	715
2017-18	721	2022-23	713
2018-19	753	2023-24	709
2019-20	724	2024-25	700

Source: District Officials

Employee Pension Benefits

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement -System ("ERS"). Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to TRS are deducted from the School District's State aid payments. Both the ERS and the TRS (together, the "Retirement Systems") are non-contributory with respect to members hired prior to July 27, 1976. Other than those in Tier V and Tier VI, all members hired on or after July 27, 1976 with less than 10 years of service must contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, pension reform legislation was signed into law that created a new Tier V pension level. 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 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.

Members of the TRS have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, Tier V applies only to public employees hired after December 31, 2009 and before April 2, 2012.

On March 16, 2012, legislation was signed into law that created a new Tier VI pension program. The Tier VI plan only applies to those employees hired on or after April 1, 2012. The new pension tier has progressive contribution rates between 3% to 6% of salary; it increases the retirement age for new employees from 62 to 63 and

includes provisions allowing early retirement with penalties. Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI permits only two salaries to be included in the calculation. The pension multiplier for Tier VI is 1.75% for the first 20 years of service and 2% thereafter; Vesting will occur after 10 years of service. The final average salary is based on a five-year average instead of the previous Tiers' three-year average. Pension eligible overtime for civilian and non-uniformed employees will be capped at \$15,000, indexed for inflation. For uniformed employees outside of New York City, the cap is set at 15% of base pay. The number of sick and leave days that can be applied toward retirement service credit is reduced from 200 to 100. The legislation includes an optional defined contribution plan for new non-union employees with annual salaries of \$75,000 or more. The State is required to fund any pension enhancements on an ongoing basis. This is a potential future cost savings for local governments.

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

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-2015	\$ 288,499	\$ 1,055,101
2015-2016	284,945	742,990
2016-2017	224,313	667,404
2017-2018	234,663	532,259
2018-2019	232,096	590,695
2019-2020 (Budgeted)	297,285	691,411

Source: District records

Retirement Incentive Program – 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 does not currently have early retirement incentive programs for its employees.

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

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

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	18.2%	13.26%
2016-2017	15.5	11.72
2017-2018	15.3	9.80
2018-2019	14.9	10.62
2019-2020	14.6	8.86

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS

contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

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

Stable Rate Pension Contribution Option - The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 12.5% for TRS. The pension contribution rates under this program would reduce near-term payments for employers but will require higher than normal contributions in later years.

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

The State’s 2019-2020 Enacted Budget allows 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 Board of Education approved the creation of the TRS reserve during the 2018-19 year. Currently the District has been able to fund \$112,141 into the reserve.

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

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits 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. OPEB consists 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 - requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. However, GASB 75 also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity and requires: (a) explanations of how and why the OPEB liability changed from year to year (b) amortization and reporting of deferred inflows and outflows due to assumption changes, (c) use of a discount rate that takes into account resources of an OPEB plan and how they will be invested to maximize coverage of the liability (d) a single actual cost method and (e) immediate recognition of OPEB expense and effects of changes to benefit terms.

Under GASB 75, a total OPEB liability is determined for each municipality or school district. A net change in the total OPEB Liability is calculated as the sum of changes for the year including service cost, interest, difference between expected and actual experience, changes in benefit terms, changes in assumptions or other inputs, less the benefit payments made by the School District for the year.

Based on the most recent actuarial valuation dated July 1, 2018 and financial data as of June 30, 2019, the School District's beginning year total OPEB liability was \$30,619,433, the net change for the year was (\$6,202,168) resulting in a total OPEB liability of \$24,417,265 for the fiscal year ending June 30, 2019. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2019 financial statements.

The total OPEB liability is required to be determined through an actuarial valuation every two years, at a minimum. However, OPEB plans with fewer than 100 members may use an alternative measurement method in place of an actuarial valuation. Additional information about GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

There is no authority in current State law to establish a trust account or reserve fund for this liability. While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015 that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation has not advanced past the committee stage.

The School District's total OPEB liability is expected to increase. As is the case with most municipalities, this is being handled by the School District on a "pay-as-you-go" basis. Substantial future increases could have a material adverse impact upon the School District's finances and could force the School District to reduce services, raise taxes or both.

Major Employers¹

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
Lexington Center (Fulton Co. ARC)	Residential & Day Treatment	1350
St. Mary's Hospital	Health Care	1124
Nathan Littauer Hospital	Health Care	880
Liberty Enterprises	Food Processing, Cleaning Agents	850
Kasson & Keller/ Keymark Corporation	Aluminum Extrusions	831
Gloversville School District	Education	650
Amsterdam Printing & Litho (Holland USA)	Printing Adv. Specialties	600
Montgomery County	Government	600
Target	Retail Warehouse	551
Greater Amsterdam School District	Education	545
Frontier	Phone Company	481
Beech Nut Nutrition	Candy, Baby Food Cereal	473
HFM BOCES	Education	419
Amsterdam Memorial Hospital	Hospital	410
Taylor Made Custom Products	Manufacturing	400
Canajoharie Central School District	Education	246
Noteworthy Corporation	Paper Products	216
Fulton-Montgomery Community College	Education	215

Note: 1. Major employers within and in close proximity to the School District.

Source: District Officials

Unemployment Rate Statistics

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

Year	Fulton County Unemployment Rate	Herkimer County Unemployment Rate	Montgomery County Unemployment Rate	New York State Unemployment Rate	U.S. Unemployment Rate
2014	7.7%	6.8%	7.5%	6.3%	6.2%
2015	6.4%	6.2%	6.6%	5.3%	5.3%
2016	5.7%	5.5%	5.7%	4.9%	4.9%
2017	5.8%	5.7%	5.7%	4.7%	4.4%
2018	5.1%	4.9%	5.1%	4.1%	4.0%

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

	<u>2019 Monthly Figures</u>											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fulton County	5.8%	5.9%	5.6%	4.5%	4.2%	4.1%	4.5%	4.7%	4.4%	4.5%	N/A	N/A
Herkimer County	5.9%	5.7%	5.5%	4.4%	4.1%	5.1%	4.4%	4.3%	3.9%	4.1%	N/A	N/A
Montgomery County	5.9%	5.9%	5.6%	4.6%	4.3%	4.0%	4.7%	4.8%	4.4%	4.3%	N/A	N/A
New York State	4.6%	4.4%	4.1%	3.6%	3.8%	3.8%	4.1%	4.2%	3.7%	3.9%	N/A	N/A

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

Investment Policy

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

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) Savings Accounts, Now Accounts or Money Market Accounts of designated banks, (2) Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State, (3) Demand Deposit Accounts in a

bank or trust company authorized to do business in New York State, (4) Obligations of New York State, (5) Obligations of the United States Government (U.S. Treasury Bills and Notes), (6) Repurchase Agreements involving the purchase and sale of direct obligations of the United States.

Form of School Government

The Board of Education which is the policy-making body of the School District consists of seven members. In order to stagger the number of seats up for election each year on the new board, only three candidates (those elected with the most votes during the district's first board of education election) were awarded full three-year terms. Based on the number of votes received, three members received three-year terms, two members received two-year terms and two members received one-year terms. Winners in all subsequent elections will receive full three-year terms. Each Board member must be a qualified voter of the School District and no Board member may hold certain other District offices or position while serving on the Board of Education. The President and Vice President are selected by the Board members.

Budgetary Procedures

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

Pursuant to Chapter 97 of the Laws of 2011 of the State of New York ("Chapter 97"), beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the " Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District 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 third 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.

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 198 to 120. The School District's 2018-19 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 272 to 204. The School District's 2019-20 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The State's 2018-19 Enacted Budget includes a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50%

percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget ("DOB") in consultation with SED. In 2019-20, this requirement will expand to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district's school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district's State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to "cure" the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this newly enacted legislation, the School District will be required to annually report its budgeted support for individual schools beginning with the 2020-21 fiscal year.

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 70.31% of the revenues of the School District are estimated to be received in the form of State aid. If the State should experience difficulty 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 in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, should the State budget not be adopted in a timely manner, municipalities and school districts in the State, including the School 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 School 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. 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 may arise.

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

The State's Enacted 2019-20 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include but are not limited to reductions in State agency operations' delays or reductions in payments to

local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the time 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 Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

State Aid History -The State's 2015-16 Budget contained a school aid increase of \$1.4 billion that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

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

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

The State's 2019-20 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 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The 2019-20 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.

The following table illustrates the percentage of total revenue of the District for each of the below fiscal years comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2014-2015	\$ 18,295,592	\$ 13,127,681	71.75%
2015-2016	18,491,589	13,348,317	72.19%
2016-2017	18,928,585	13,530,296	71.48%
2017-2018	19,106,796	13,466,998	70.48%
2018-2019	19,634,538	13,663,777	69.59%
2019-2020 (Budgeted)	19,754,357	13,890,078	70.31%

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

Fiscal Stress Monitoring

The New York State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to School District officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district 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 State Comptroller for the past five 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	13.3%
2017	Susceptible	26.7
2016	Susceptible	26.7

Note: See the official website of the New York State Comptroller for more information on FSMS. Reference to websites implies no warranty of accuracy of information therein.

State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the School District on March 2, 2018. The purpose of the audit was to determine whether the Board adequately managed District finances by adopting realistic budgets and developing and implementing a long-term financial plan, and whether District officials adequately safeguarded fuel inventories and maintained accurate and complete records for the period July 1, 2016 through July 31, 2017.

Key Findings

- The 2014-15 through 2016-17 budgets did not contain realistic estimates of appropriations.
- The District maintained fund balance in excess of the 4 percent statutory limit.
- The District used 973 more gallons of unleaded fuel and 341 more gallons of diesel fuel than it accounted for.

Key Recommendations

- District officials should ensure that all budget estimates are reasonable.
- Reduce unrestricted fund balance to an amount permitted by law.
- The Transportation Supervisor should maintain accurate and complete fuel inventory records and should thoroughly investigate variances between fuel records and tank readings.

A copy of the complete report and the District's response can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website

Note: 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 Bonds were issued is the Education Law and the Local Finance Law.

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

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

Other than "Estimated Calculation of Overlapping Indebtedness", this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District.

Financial Statements

The School District retains an independent Certified Public Accountant, whose most recent report covers the period ended June 30, 2019 and may be found attached hereto as Appendix B.

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 ("GAAFR"), published by the National Committee on Government Accounting.

Tax Information

Assessed and Full Valuations

Fiscal Year Ended June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assessed Valuations:					
St. Johnsville	\$ 31,420,843	\$ 31,717,338	\$ 31,526,565	\$ 31,946,638	\$ 31,818,925
Palatine	3,353,337	3,533,957	3,429,583	3,502,695	3,502,195
Minden	9,147,501	9,111,057	9,031,849	9,214,088	9,144,397
Danube	10,743,516	10,717,024	10,694,152	10,662,419	10,666,656
Manheim	18,605,377	18,654,461	18,630,949	18,700,858	18,655,565
Ephratah	37,078,075	37,797,166	38,285,801	39,272,284	39,819,995
Johnstown	6,188,477	6,273,966	6,259,122	6,261,569	6,245,032
Oppenheim	50,134,316	50,264,041	50,496,796	50,956,192	51,705,362
Stratford	<u>985,712</u>	<u>850,462</u>	<u>821,384</u>	<u>792,725</u>	<u>771,395</u>
Total	<u>\$ 167,657,154</u>	<u>\$ 168,919,472</u>	<u>\$ 169,176,201</u>	<u>\$ 171,309,468</u>	<u>\$ 172,329,522</u>

Equalization Rates:

St. Johnsville	32.00%	30.26%	34.00%	33.00%	32.00%
Palatine	56.00%	51.75%	58.00%	55.00%	55.00%
Minden	100.00%	100.00%	100.00%	100.00%	100.00%
Danube	87.00%	83.00%	81.30%	79.20%	78.00%
Manheim	68.00%	68.00%	70.00%	67.00%	67.00%
Ephratah	80.00%	80.00%	74.00%	69.00%	69.00%
Johnstown	75.70%	75.00%	70.00%	67.00%	66.00%
Oppenheim	55.20%	55.20%	55.20%	51.42%	51.42%
Stratford	100.00%	100.00%	105.95%	100.00%	97.00%

Full Valuations:

St. Johnsville	\$ 98,190,134	\$ 104,816,054	\$ 92,725,191	\$ 96,807,994	\$ 99,434,141
Palatine	5,988,102	6,828,902	5,913,074	6,368,536	6,367,627
Minden	9,147,501	9,111,057	9,031,849	9,214,088	9,144,397
Danube	12,348,869	12,912,077	13,153,939	13,462,650	13,675,200
Manheim	27,360,849	27,433,031	26,615,641	27,911,728	27,844,127
Ephratah	46,347,594	47,246,458	51,737,569	56,916,354	57,710,138
Johnstown	8,175,003	8,365,288	8,941,603	9,345,625	9,462,170
Oppenheim	90,823,036	91,058,045	91,479,703	99,098,001	100,554,963
Stratford	<u>985,712</u>	<u>850,462</u>	<u>775,256</u>	<u>792,725</u>	<u>795,253</u>
Total	<u>\$ 299,366,799</u>	<u>\$ 308,621,374</u>	<u>\$ 300,373,825</u>	<u>\$ 319,917,702</u>	<u>\$ 324,988,015</u>

Equalized values shown here are those used by the School District for tax levy purposes as provided in the Real Property Tax Law. In some cases, equalization rates established specifically for school tax apportionment may have been used, as is also provided in the Real Property Tax Law.

Tax Rate per \$1,000 Assessed Value

Fiscal Year Ending June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
St. Johnsville	\$ 49.93	\$ 51.20	\$ 46.82	\$ 45.75	\$ 47.63
Palatine	28.53	29.94	27.45	27.45	27.83
Minden	15.98	15.49	15.92	15.10	15.31
Danube	18.37	18.66	19.58	19.06	19.62
Manheim	23.50	22.78	22.74	22.53	22.85
Ephratah	19.97	19.36	21.51	21.88	22.18
Johnstown	21.11	20.65	22.74	22.53	23.92
Oppenheim	28.95	28.06	28.84	29.36	29.77
Stratford	15.98	15.49	15.03	15.10	15.78

Tax Collection Procedure

Tax payments are due September 1st. Taxes are collected during the period September 1st to November 4th. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged if paid by the end of October. On or about November 4th, uncollected taxes are returnable to the Counties for collection. The School District receives this amount of uncollected taxes from the Counties the first week of April in each year, thereby assuring 100% tax collection annually.

Tax Collection Record

Fiscal Year Ended June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>
Tax Levy	\$4,781,849	\$4,781,849	\$4,781,840	\$4,829,668	\$4,974,588
Library Levy	70,000	70,000	70,000	70,000	70,000
Total Tax Levy	\$4,851,849	\$4,851,849	\$4,851,840	\$4,899,668	\$5,044,588
Star Program	\$991,045	\$966,009	966,009	905,691	870,736
Amount Uncollected	487,580	449,785	446,785	473,635	503,999
% Uncollected	11.00%	9.00%	9.27%	9.76%	10.00%

Note: * Collection information is as of 11/14/2019.

Real Property Tax Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2014-2015	\$ 18,295,592	\$ 3,776,968	20.64%
2015-2016	18,491,589	3,790,804	20.50%
2016-2017	18,928,585	3,815,840	20.16%
2017-2018	19,106,796	3,876,158	20.29%
2018-2019	19,634,538	3,932,215	20.03%
2019-2020 (Budgeted)	19,754,357	3,983,513	20.17%

Source: Audited financial statements for the 2014-15 fiscal year through 2018-19 fiscal year and the adopted budget of the District for the 2019-2020 fiscal year. This table is not audited.

Major Taxpayers 2019

For 2019-20 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Erie Boulevard Hydropower	Utility	\$10,885,800
Niagara Mohawk Power Corp	Utility	9,820,659
National Grid	Utility	4,516,080
Erie Blvd Hydropower LLC	Utility	2,404,693
Iroquois Gas Co	Utility	2,264,150
State of New York	Land	2,015,027
City of Johnstown	Land	1,976,026
St Johnsville Realty LLC	Real Estate/Nursing Home	1,962,800
New York Central Line Inc	Railroad	1,827,170
Niagara Mohawk	Utility	1,644,535
Total		\$39,316,940

The above taxpayers represent 22.82% of the School District's 2019-20 Assessed value of \$172,329,522.

General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2019 is contained in the Appendices). As reflected in the Appendices, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

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 receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$88,050 or less in 2020, increased annually according to a cost-of-living adjustment, are eligible for a “full value” exemption of the first \$68,700 for the 2019-20 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross Income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-16 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-16 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared to a \$500,000 limit for the credit. Homeowners with STAR Adjusted Gross Income of \$250,000 have the option to elect the credit or the exemption. 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.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law affected school district tax levies for the school district fiscal year beginning July 1, 2012.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy 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”).

The Tax Levy Limit Law requires that a school district hereafter submit its proposed tax levy (not its proposed budget) to the voters each year, and imposes a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the CPI, as described in the Law. Tax levies that do not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a tax levy in excess of the limit. In the event the voters reject the tax levy, the school district's tax levy for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year, without any stated exceptions.

There are exceptions for school districts to the tax levy limitation provided in the law, 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 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 State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. After the ruling, NYSUT amended its complaint to include a challenge to the Real Property Tax Rebate, also on Federal and State constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. On May 5, 2016, the dismissal was upheld by the New York Supreme Court, Appellate Division, Third Judicial Department to dismiss the complaint. An additional appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the grounds that no substantial constitutional question was directly involved, and thereafter, leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. For taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law.

While the provisions of Chapter 20 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 Chapter 97. The implications of this program on future tax levies and for operations and services of the School District are uncertain at this time.

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 maybe 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.

Debt Limit the District has the power to contract indebtedness for any school district purpose so long as the principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions. The constitutional method for determining full valuation by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Statutory Procedure

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specifications for such project have been approved by the Commissioner of Education of the State. The District has obtained such approval with respect to the project to be financed by the Notes.

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

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

Statutory law in the State 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 2 years from the date of the first issuance of such notes and provided that such renewal issues do not exceed 5 years beyond the original date of borrowing.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue, tax anticipation, budget and capital notes.

Status of Indebtedness

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Serial Bonds	\$6,760,000	\$5,365,000	\$3,920,000	\$3,030,000	\$2,360,000
Bond Anticipation Notes	-	-	-	-	\$15,000,000
Total Debt Outstanding	\$6,760,000	\$5,365,000	\$3,920,000	\$3,030,000	\$17,360,000

Status of Outstanding Bond Issues¹

Year of Issue:	2005		2010	
Amount Issued:	\$2,450,000		\$5,150,000	
Purpose/Instrument:	Construction/Serial Bond		Construction/DASNY Bond ²	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	20,000	4,456	410,000	112,850
2021	25,000	3,706	430,000	92,350
2022	25,000	2,769	455,000	70,850
2023	25,000	1,800	475,000	48,100
2024	20,000	800	500,000	24,350
Totals:	\$ 115,000	\$ 13,531	\$ 2,270,000	\$ 348,500

Year of Issue:	2017		
Amount Issued:	\$3,720,000		
Purpose/Instrument:	Refunding/DASNY Bond ³	1	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	
2020	5,000	85,400	
2021	425,000	85,250	
2022	450,000	67,250	
2023	465,000	47,750	
2024	490,000	24,500	
Totals:	\$ 1,835,000	\$ 310,150	

Note: 1 Combines debt outstanding for each of the Districts which were merged.

2 The School District has completed an advance refunding on this Bond Issue. This issue will be called and paid in full on October 1, 2020.

3 The net proceeds of this Advance Refunding Bond issue were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent for all future debt service payments on the original 2010 Bonds.

Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>%Paid</u>
2020	435,000	202,706	637,706	13.04%
2021	880,000	181,306	1,061,306	34.73%
2022	930,000	140,869	1,070,869	56.62%
2023	965,000	97,650	1,062,650	78.34%
2024	1,010,000	49,650	1,059,650	100.00%
Totals:	\$ 4,220,000	\$ 672,181	\$ 4,892,181	

Status of Short-Term Indebtedness

<u>Type</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
BAN	6/20/2019	6/19/2020	1.480%	\$ 3,000,000
BAN	6/20/2019	6/19/2020	2.500%	12,000,000

Cash Flow Borrowings

The School District, does not anticipate issuing tax anticipation notes and/or revenue anticipation notes.

Capital Project Plans

On December 13, 2016, District voters approved a \$24,016,000 capital project with use of \$4,196,194 of capital reserve funds. The project will address safety, efficiency, functionality and programming needs across the District. The project received SED approved on August 16, 2018 and construction began in the Fall of 2018. In June 2019 a \$15,000,000 Bond Anticipation Note was issued against said Authorization.

This issue will provide \$3,819,836 of new money against said Authorization.

The District is planning to vote on a \$9,416,000 capital project with use of \$3,584,621 of capital reserve funds on February 4, 2020.

Building Aid Estimate

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. The District has not applied for such estimate but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 98.0%.

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.

A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, a new "assumed amortization" payout schedule for future State building aid payments based on an annual "average interest rate" and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates; however, no assurance can be given as to when and how much building aid the School District will receive in relation to its outstanding debt. See "State Aid" herein.

Debt Statement Summary

As of November 26, 2019

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization</u> <u>Rate</u>	<u>Taxable Full Valuation</u>
St. Johnsville	\$ 31,818,925	32.00%	\$ 99,434,141
Palatine	3,502,195	55.00%	6,367,627
Minden	9,144,397	100.00%	9,144,397
Danube	10,666,656	78.00%	13,675,200
Manheim	18,655,565	67.00%	27,844,127
Ephratah	39,819,995	69.00%	57,710,138
Johnstown	6,245,032	66.00%	9,462,170
Oppenheim	51,705,362	51.42%	100,554,963
Stratford	771,395	97.00%	795,253
Total:			<u>\$ 324,988,015</u>
Debt Limit: 10% of Full Valuation			\$ 32,498,801
Inclusions:			
Serial Bonds			\$ 4,220,000
Bond Anticipation Notes			15,000,000
Total Inclusions:			<u>\$ 19,220,000</u>
Exclusions:			
Building Aid Estimate			<u>\$0</u>
Total Exclusions:			\$0
Total Net Indebtedness Before Giving Effect to This Issue			<u>\$ 19,220,000</u>
This Issue	\$ 3,619,836		
Proceeds to be Used to Renew Indebtedness Listed Under Inclusions	<u>0</u>		<u>\$ 3,619,836</u>
Total Net Indebtedness After Giving Effect to This Issue			\$ 22,839,836
Net Debt Contracting Margin			\$ 9,658,965
Percentage of Debt-Contracting Power Exhausted			70.28%

Estimated Overlapping Indebtedness

<u>Overlapping Unit</u>	<u>Applicable Equalized Value</u>	<u>Percent</u>	<u>Gross Indebtedness</u>	¹ <u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Estimated Applicable Overlapping Indebtedness</u>
Fulton County	\$ 168,522,523 \$ 3,376,499,613	4.99%	\$ 1,174,524	N/A	\$ 1,174,524	\$ 58,621
Herkimer County	\$ 41,519,327 \$ 4,704,606,500	0.88%	\$ 24,349,224	N/A	\$ 24,349,224	\$ 214,888
Montgomery County	\$ 114,946,165 \$ 2,263,548,424	5.078%	\$ 38,657,000	N/A	\$ 38,657,000	\$ 1,963,057
Town of St. Johnsville	\$ 99,434,141 \$ 99,434,141	100.00%	\$ -	N/A	\$ -	\$ -
Town of Palatine	\$ 6,367,627 \$ 156,979,400	4.06%	\$ -	N/A	\$ -	\$ -
Town of Minden	\$ 9,144,397 \$ 168,199,768	5.44%	\$ -	N/A	\$ -	\$ -
Town of Danube	\$ 13,675,200 \$ 61,448,672	22.25%	\$ 193,435	N/A	\$ 193,435	\$ 43,048
Town of Oppenheim	\$ 100,554,963 \$ 100,554,963	100.00%	\$ 180,000	N/A	\$ 180,000	\$ 180,000
Town of Ephratah	\$ 57,710,138 \$ 86,149,119	66.99%	\$ -	N/A	\$ -	\$ -
Town of Stratford	\$ 795,253 \$ 103,823,173	0.77%	\$ -	N/A	\$ -	\$ -
Town of Johnstown	\$ 9,462,170 \$ 455,339,486	2.08%	\$ 439,594	N/A	\$ 439,594	\$ 9,135
Town of Manheim	\$ 27,844,127 \$ 171,223,007	16.26%	\$ 238,000	N/A	\$ 238,000	\$ 38,703
Total						<u>\$ 2,507,452</u>

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2018

Notes: Bonds and Bond Anticipation notes as of 2017 fiscal year. Not adjusted to include subsequent bond and note sales

N/A Information not available from source document

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of November 26, 2019:

	Amount	Per Capita	(a) Percentage	(b)
--			of Full	
			Value	
Net Indebtedness	\$ 22,839,836	\$ 3,893.60	7.028%	
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 25,347,288	\$ 4,321.05	7.799%	

(a) The District's estimated population is 5,866 (Source: 2017 U.S. Census Bureau estimate)

(b) The District's 2019-20 full value of taxable real estate is \$324,998,015

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

Special Provisions Affecting Remedies Upon Default

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the 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 the 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, 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 District may not be enforced to 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 or 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 VII, 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.

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 continuations 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 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 event 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 and economic condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the 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 other jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriations for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timelines of such payments may also be affected by a delay in the adoption of the State budget and other circumstances, including state fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore.

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 reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

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 tax status of interest on the Notes.

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

Tax Matters

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Code, except that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to Federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Notes for interest thereon

to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District will covenant in the Tax Certificates as to Arbitrage and Use of Proceeds and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the District shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Notes to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company's deduction for loss is reduced by 15% of the sum of certain items, including interest on the Notes; (2) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Notes, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

A Noteholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes. The nature and extent of these other consequences will depend upon the Noteholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Notes should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Notes will NOT be designated or deemed designated by the District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law and could affect the market price for, or the marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

Approval of Legal Proceedings

The validity of the Notes will be covered by the unqualified legal opinion of Barclay Damon LLP Bond Counsel to the School District, such opinion to be delivered with the Notes. The proposed form of such opinion is attached hereto as Appendix C.

Continuing Disclosure Compliance

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 pursuant to the Securities Exchange Act of 1934, the School District will enter into an Undertaking to provide Material Event Notices, the description of which is attached hereto as "Appendix D".

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.

Litigation

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District. The School District currently has one pending claim from a student who believes he has suffered personal injuries due to negligence by the School District.

Bond Rating

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), 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 - D" herein).

Standard & Poor's Rating Services has assigned Oppenheim-Ephratah-St. Johnsville Central School District's outstanding bonds their municipal bond rating of "A+" with a stable outlook.

Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised downward or withdrawn by the rating agency furnishing the same if, in its judgment, circumstances so warrant.

Municipal Advisor

R.G. Timbs, Inc. is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. 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.

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.

Barclay Damon LLP, Albany, 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.

R.G. Timbs, Inc. may place a copy of this Official Statement on its website at www.RGTimbsInc.net. 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. R.G. Timbs, 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 School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School 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.

The School District's contact information is as follows: Karen Mettler, District Treasurer, phone: (518) 568-9990; email: Karen.mettler@oesj.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained from the offices of R.G. Timbs, Inc., telephone number (585) 747-8111 or at www.RGTimbsInc.net.

**Oppenheim-Ephratah-St. Johnsville
Central School District**

**Dated: December 5, 2019
St. Johnsville, New York**

NEIL CLARK
President, Board of Education
and Chief Fiscal Officer

APPENDIX A

Financial Information

General Fund – Statement of Revenues, Expenditures and Fund Balance
Oppenheim-Ephratah CSD

Fiscal Year Ending June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Fund Balance - July 1	\$10,091,424	\$11,058,840	\$8,882,626	\$9,847,477	\$11,757,712
<u>Revenues:</u>					
Real Property Taxes	\$3,790,804	\$3,815,840	\$3,876,158	\$3,932,215	\$3,983,513
Appropriated Fund Balance					\$200,000
Other Tax Items	999,460	982,279	922,936	920,917	993,845
Charges for Services	0	0	17,789	10,241	5,000
Use of Money & Property	7,626	10,728	190,814	240,506	191,921
Sale of Property/Comp. for Loss	0	0	0	0	0
Miscellaneous	289,744	541,009	481,865	647,727	405,000
State Aid	13,348,317	13,530,296	13,466,998	13,663,777	13,890,078
Federal Aid	55,638	48,433	150,236	219,155	85,000
Interfund Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,000</u>
Total Revenues	\$18,491,589	\$18,928,585	\$19,106,796	\$19,634,538	\$19,954,357
<u>Expenditures:</u>					
General Support	\$2,358,430	\$2,521,037	\$2,410,394	\$2,623,673	\$2,869,246
Instruction	8,563,992	8,413,581	8,542,649	8,513,713	9,553,908
Transportation	969,076	1,053,023	1,204,084	1,386,093	1,214,397
Community Services	0	0	0	0	0
Employee Benefits	3,852,354	3,195,650	4,254,654	4,391,059	5,519,512
Debt Service	1,680,321	1,679,314	1,040,164	809,770	797,294
Interfund Transfer	<u>100,000</u>	<u>4,242,194</u>	<u>690,000</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$17,524,173	\$21,104,799	\$18,141,945	\$17,724,308	\$19,954,357
Adjustments	0	0	0	5	0
Year End Fund Balance	\$11,058,840	\$8,882,626	\$9,847,477	\$11,757,712	\$11,757,712
Excess (Deficit) Revenues Over Expenditures	\$967,416	(\$2,176,214)	\$964,851	\$1,910,230	\$0

Source: Audited Annual Financial Reports and Annual Budget.
This table is NOT audited.

General Fund – Comparative Balance Sheet
Oppenheim-Ephratah-St. Johnsville CSD

Fiscal Year Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assets:					
Unrestricted Cash	\$2,261,518	\$147,629	\$374,072	\$566,121	\$580,392
Restricted Cash	7,313,492	9,463,494	7,254,082	8,577,271	9,815,227
Other Receivables	0	0	0	0	118
Due from Other Funds	682,580	597,253	652,279	598,526	622,844
Due from State & Federal	1,652,852	1,481,056	1,309,058	1,478,627	1,726,012
Due from Fiduciary Funds	<u>323,178</u>	<u>323,184</u>	<u>323,191</u>	<u>73,137</u>	<u>1,179</u>
Total Assets	<u><u>\$12,233,620</u></u>	<u><u>\$12,012,616</u></u>	<u><u>\$9,912,682</u></u>	<u><u>\$11,293,682</u></u>	<u><u>\$12,745,772</u></u>
Liabilities:					
Accounts Payable	\$105,615	\$66,034	\$238,462	\$151,649	\$195,447
Accrued Liabilities	171,000	0	0	0	0
Bond Anticipation Notes	0	0	0	0	0
Due to Other Funds	658,865	0	0	650,000	104,339
Due to Other Governments	0	0	0	0	0
Due Retirement System	<u>1,206,716</u>	<u>887,742</u>	<u>791,594</u>	<u>644,556</u>	<u>688,279</u>
Total Liabilities:	<u><u>\$2,142,196</u></u>	<u><u>\$953,776</u></u>	<u><u>\$1,030,056</u></u>	<u><u>\$1,446,205</u></u>	<u><u>\$988,065</u></u>
Fund Balances:					
Restricted	\$7,313,492	\$9,463,494	\$7,254,082	\$8,577,271	\$9,815,227
Assigned	692,922	85,871	159,000	408,084	1,144,302
Unassigned	<u>2,085,010</u>	<u>1,509,475</u>	<u>1,469,544</u>	<u>862,122</u>	<u>798,178</u>
Total Fund Balance	<u><u>\$10,091,424</u></u>	<u><u>\$11,058,840</u></u>	<u><u>\$8,882,626</u></u>	<u><u>\$9,847,477</u></u>	<u><u>\$11,757,707</u></u>
Total Liabilities and Fund Balance	<u><u>\$12,233,620</u></u>	<u><u>\$12,012,616</u></u>	<u><u>\$9,912,682</u></u>	<u><u>\$11,293,682</u></u>	<u><u>\$12,745,772</u></u>

Source: Audited Financial Reports. This table is NOT audited.

APPENDIX B

Audited Financial Statements

For The Fiscal Year Ended June 30, 2019

Note: Such Financial Reports and opinions were prepared as of the date thereof and have not been reviewed and/or updated by the District's Auditors in connection with the preparation and dissemination of this official statement. Consent of the Auditors for inclusion of the Audited Financial Reports in this Official Statement has neither been requested nor obtained

**OPPENHEIM-EPHRATAH-ST. JOHNSVILLE
CENTRAL SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, 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 Oppenheim-Ephratah-St. Johnsville Central School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Oppenheim-Ephratah-St. Johnsville Central School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total other post-employment benefits liability and related ratios and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 47 through 51 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 52 through 54, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
October 2, 2019

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The District's Net Position increased \$2,656,114.
- The District overall Fund Balance decreased \$5,569,654.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the District-wide statements. The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships, in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. 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.

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information that they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each statement.

Table A-1 Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

The two District-wide statements report the School District's *net position* and how it has changed. Net position – the difference between the School District's assets, deferred outflows of resources and 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.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered. 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.

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.

- **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. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2

Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	% Change (Incr.; - Decr.)
Assets			
Current and other assets	\$ 26,060,814	\$ 16,203,247	60.8%
Capital assets - net	26,065,820	19,155,815	36.1%
Total Assets	52,126,634	35,359,062	47.4%
Deferred Outflows of Resources			
Other post-employment benefits	850,853	669,670	27.1%
Pensions	3,816,592	4,400,410	-13.3%
Total Deferred Outflows of Resources	4,667,445	5,070,080	-7.9%
Liabilities			
Current liabilities	15,195,716	151,920	9902.4%
Long-term liabilities	28,134,215	34,764,826	-19.1%
Total Liabilities	43,329,931	34,916,746	24.1%
Deferred Inflows of Resources			
Other post-employment benefits	9,158,482	3,459,549	164.7%
Pensions	944,090	1,347,415	-29.9%
Total Deferred Inflows of Resources	10,102,572	4,806,964	110.2%
Net Position			
Net investment in capital assets	12,367,799	16,125,815	-23.3%
Restricted	11,430,334	8,577,271	33.3%
Unrestricted	(20,436,557)	(23,997,624)	-14.8%
Total Net Position	\$ 3,361,576	\$ 705,462	376.5%

Changes in Net Position

The School District's 2019 revenue was \$21,163,964. Property taxes and New York State aid accounted for the majority of revenue by contributing 19% and 65%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$18,507,850 for 2019. These expenses (77%) are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative and business activities accounted for 19% of total costs.

Net position from operations increased during the year by \$2,656,114.

Table A-3

Changes in Net Position from Operating Results

	Fiscal Year 2019	Fiscal Year 2018	% Change (Incr.; - Decr.)
Revenues			
Program Revenues			
Charges for services	\$ 54,018	\$ 66,044	-18.2%
Operating grants and contributions	1,328,009	1,269,174	4.6%
General Revenues			
Property taxes	4,853,132	4,799,094	1.1%
State formula aid	13,663,777	13,466,998	1.5%
Other	1,265,028	867,421	45.8%
Total Revenues	21,163,964	20,468,731	3.4%
Expenses			
General support	3,500,836	3,407,665	2.7%
Instruction	12,502,089	13,218,299	-5.4%
Transportation	1,849,501	1,728,736	7.0%
Debt service	139,770	150,164	-6.9%
Cost of sales – Lunch Program	515,654	569,466	-9.4%
Total Expenses	18,507,850	19,074,330	-3.0%
Total Increase in Net Position	\$ 2,656,114	\$ 1,394,401	90.5%

TABLE A-4 – REVENUES

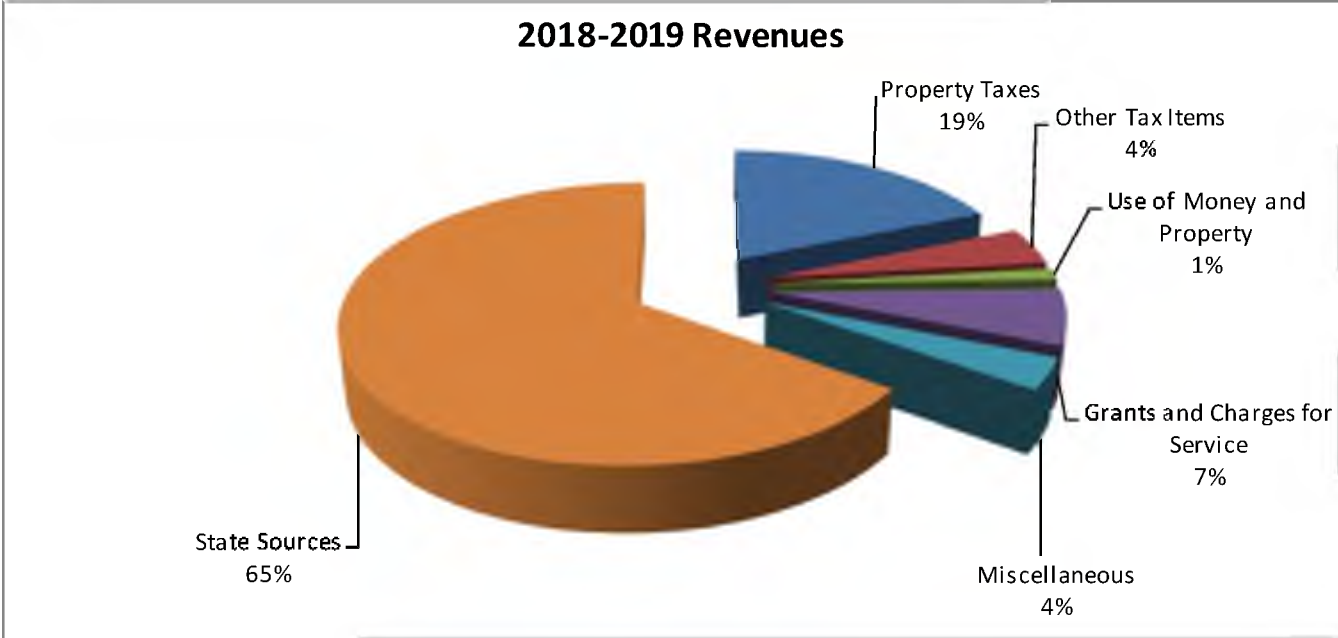
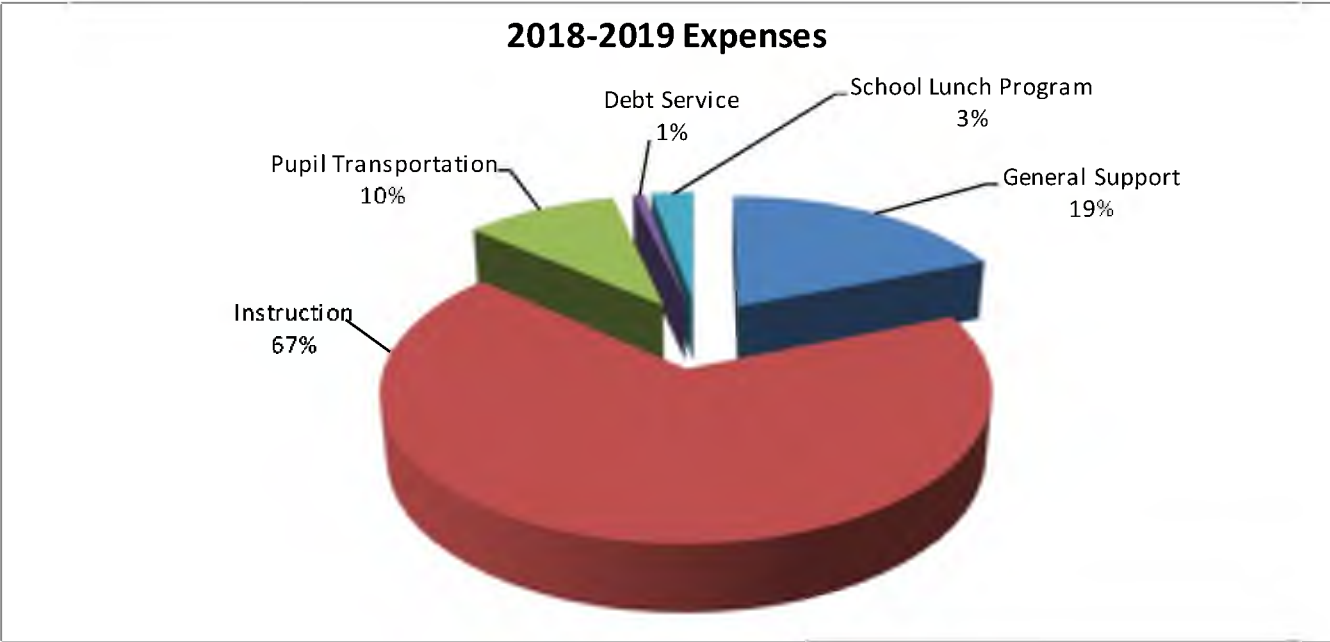


TABLE A-5 – EXPENDITURES



Governmental Activities

Revenue for the School District's governmental activities totaled \$21,163,964 while total expenses were \$18,507,850. Accordingly, net position increased by \$2,656,114.

Table A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2019	2018	(Incr.; -Decr.)	2019	2018	(Incr.; -Decr.)
General support	\$ 3,500,836	\$ 3,407,665	2.7%	\$ 3,500,836	\$ 3,407,665	2.7%
Instruction	12,502,089	13,218,299	-5.4%	11,635,974	12,374,537	-6.0%
Pupil transportation	1,849,501	1,728,736	7.0%	1,849,501	1,728,736	7.0%
Debt service - interest	139,770	150,164	-6.9%	139,770	150,164	-6.9%
Cost of sales - lunch program	515,654	569,466	-9.4%	(258)	78,010	-100.3%
Totals	\$ 18,507,850	\$ 19,074,330		\$ 17,125,823	\$ 17,739,112	

- The cost of all governmental activities for the year was \$18,507,850.
- The users of the School District's programs financed \$54,018 of the costs.
- The federal and state government grants financed \$1,328,009.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$9,562,854. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets and the current payments for debt, including the principal and interest payment.

No other significant variances were reflected in the governmental fund financial statements for 2019.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Results vs. Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Actual/Budget</u>
REVENUES				
Local Sources	\$ 5,049,389	\$ 5,049,389	\$ 5,751,606	\$ 702,217
State Source	13,920,431	13,920,431	13,663,777	(256,654)
Federal Sources	35,000	35,000	219,155	184,155
Total Revenues	19,004,820	19,004,820	19,634,538	\$ 629,718
EXPENDITURES				
General Support	2,789,170	2,990,743	2,623,673	\$ 367,070
Instruction	9,577,364	9,393,423	8,513,713	879,710
Pupil Transportation	1,180,163	1,386,093	1,386,093	0
Employee Benefits	4,832,875	4,832,836	4,391,059	441,777
Debt Service	809,770	809,809	809,770	39
Total Expenditures	19,189,342	19,412,904	17,724,308	\$ 1,688,596
Revenues Over (Under) Expenditures	(184,522)	(408,084)	1,910,230	
Beginning Fund Balance	9,847,477	9,847,477	9,847,477	
Ending Fund Balance	\$ 9,662,955	\$ 9,439,393	\$ 11,757,707	
By Fund Balance Type				
Restricted			\$ 9,815,227	
Assigned			1,144,302	
Unassigned			798,178	
Total Fund Balance			\$ 11,757,707	

The General Fund is the only fund for which a budget is legally adopted.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2019, the School District had \$26,065,820 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

Table A-7

Capital Assets (Net of accumulated depreciation)

	Fiscal Year 2019	Fiscal Year 2018
Land	\$ 13,112	\$ 13,112
Buildings, furniture and equipment	17,295,490	18,026,409
Construction in progress	8,757,218	1,116,294
Totals	\$ 26,065,820	\$ 19,155,815

Long-Term Debt

As of June 30, 2019, the School District had \$27,086,664 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

Outstanding Long-Term Debt

	Fiscal Year 2019	Fiscal Year 2018
General obligation bonds (financed with property taxes)	\$ 2,360,000	\$ 3,030,000
Other debt	24,726,664	30,926,609
Totals	\$ 27,086,664	\$ 33,956,609

During 2019, the School District paid \$670,000 of outstanding bonds. Other debt represented other post-employment benefits and compensated absences for 2019 and 2018.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District will see approximately the same amount of revenue from HFM BOCES for the Ag P-Tech program as we did in 2018-2019.
- The District will increase the tax levy by 3% for the 2019-2020 school year.
- The District will see another decrease of the merger aid for 2019-2020 of another \$146,616.

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, please contact:

Oppenheim-Ephratah-St. Johnsville Central School District
44 Center Street
St. Johnsville, New York 13452

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

Cash		
Unrestricted	\$	11,945,356
Restricted		11,279,204
Receivables		
Due from fiduciary funds		1,179
State and Federal aid		2,209,473
Other receivables		118
Inventories		11,519
Net pension asset - proportionate share		613,965
Capital assets, net of depreciation		26,065,820
Total Assets		<u>52,126,634</u>

DEFERRED OUTFLOWS OF RESOURCES

Other post-employment benefits		850,853
Pensions		3,816,592
Total Deferred Outflows of Resources		<u>4,667,445</u>

LIABILITIES

Payables		
Accounts payable		195,447
Due to other governments		269
Bond anticipation notes payable		15,000,000
Long-term liabilities		
Due and payable within one year		
Due to Teachers' Retirement System		620,382
Due to Employees' Retirement System		67,897
Bonds payable		435,000
Due and payable after one year		
Bonds payable		1,925,000
Other post-employment benefits		24,417,265
Net pension liability - proportionate share		359,272
Compensated absences payable		309,399
Total Liabilities		<u>43,329,931</u>

DEFERRED INFLOWS OF RESOURCES

Other post-employment benefits		9,158,482
Pensions		944,090
Total Deferred Inflows of Resources		<u>10,102,572</u>

NET POSITION

Net investment in capital assets		12,367,799
Restricted		
Unemployment insurance reserve		102,417
Reserve for debt service		1,615,107
Workers' compensation reserve		201,080
Capital reserve		4,929,621
Capital reserve - buses		1,881,089
Repair reserve		4,367
Retirement contribution reserve fund - ERS		1,752,796
Retirement contribution reserve fund - TRS		112,141
Employee benefit accrued liability reserve		331,716
Insurance reserve		200,000
Property loss reserve		200,000
Liability reserve		100,000
Unrestricted		(20,436,557)
Total Net Position	\$	<u>3,361,576</u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 3,500,836	\$ 0	\$ 0	\$ (3,500,836)
Instruction	12,502,089	(10,241)	(855,874)	(11,635,974)
Pupil transportation	1,849,501	0	0	(1,849,501)
Debt service	139,770	0	0	(139,770)
School lunch program	515,654	(43,777)	(472,135)	258
Total Functions and Programs	<u>\$ 18,507,850</u>	<u>\$ (54,018)</u>	<u>\$ (1,328,009)</u>	<u>(17,125,823)</u>
GENERAL REVENUES				
Real property taxes				3,932,215
Other tax items				920,917
Use of money and property				285,062
Miscellaneous				760,811
State sources				13,663,777
Federal sources				219,155
Total General Revenues				<u>19,781,937</u>
CHANGE IN NET POSITION				2,656,114
TOTAL NET POSITION - BEGINNING OF YEAR				<u>705,462</u>
TOTAL NET POSITION - END OF YEAR				<u>\$ 3,361,576</u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 580,392	\$ 603	\$ 26,340	\$ 0	\$ 11,338,021	\$ 11,945,356
Restricted	9,815,227	0	0	1,463,977	0	11,279,204
Due from other funds	622,844	61,236	44,282	151,130	0	879,492
Due from fiduciary funds	1,179	0	0	0	0	1,179
State and federal aid receivable	1,726,012	442,995	40,466	0	0	2,209,473
Other receivables	118	0	0	0	0	118
Inventories	0	0	11,519	0	0	11,519
TOTAL ASSETS	\$ 12,745,772	\$ 504,834	\$ 122,607	\$ 1,615,107	\$ 11,338,021	\$ 26,326,341
LIABILITIES						
Accounts payable	\$ 195,447	\$ 0	\$ 0	\$ 0	\$ 0	\$ 195,447
Due to other funds	104,339	504,834	119,189	0	151,130	879,492
Bond anticipation notes payable	0	0	0	0	15,000,000	15,000,000
Due to other governments	0	0	269	0	0	269
Due to Employees' Retirement System	67,897	0	0	0	0	67,897
Due to Teachers' Retirement System	620,382	0	0	0	0	620,382
Total Liabilities	988,065	504,834	119,458	0	15,151,130	16,763,487
FUND BALANCE						
Nonspendable	0	0	11,519	0	0	11,519
Inventories						
Restricted						
Unemployment insurance reserve	102,417	0	0	0	0	102,417
Reserve for debt service	0	0	0	1,615,107	0	1,615,107
Workers' compensation reserve	201,080	0	0	0	0	201,080
Capital reserve	4,929,621	0	0	0	0	4,929,621
Capital reserve - buses	1,881,089	0	0	0	0	1,881,089
Repair reserve	4,367	0	0	0	0	4,367
Retirement contribution reserve fund - ERS	1,752,796	0	0	0	0	1,752,796
Retirement contribution reserve fund - TRS	112,141	0	0	0	0	112,141
Employee benefit accrued liability reserve	331,716	0	0	0	0	331,716
Insurance reserve	200,000	0	0	0	0	200,000
Property loss reserve	200,000	0	0	0	0	200,000
Liability reserve	100,000	0	0	0	0	100,000
Assigned	1,144,302	0	0	0	0	1,144,302
Unassigned	798,178	0	(8,370)	0	(3,813,109)	(3,023,301)
Total Fund Balance	11,757,707	0	3,149	1,615,107	(3,813,109)	9,562,854
TOTAL LIABILITIES AND FUND BALANCE	\$ 12,745,772	\$ 504,834	\$ 122,607	\$ 1,615,107	\$ 11,338,021	\$ 26,326,341

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

JUNE 30, 2019

Total balance - governmental funds balance sheet (page 14)	\$ 9,562,854
Add:	
Land, building and equipment, net of accumulated depreciation	26,065,820
Net pension asset - proportionate share	613,965
Pensions	3,816,592
	<hr/>
Total	30,496,377
Deduct:	
Compensated absences	309,399
Other post-employment benefits	32,724,894
Net pension liability - proportionate share	359,272
Pensions	944,090
Long-term bonds payable	2,360,000
	<hr/>
Total	36,697,655
NET POSITION, GOVERNMENTAL ACTIVITIES	\$ 3,361,576
	<hr/> <hr/>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
REVENUES						
Real property taxes	\$ 3,932,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,932,215
Other tax items	920,917	0	0	0	0	920,917
Charges for services	10,241	0	0	0	0	10,241
Use of money and property	240,506	0	0	44,556	0	285,062
Miscellaneous	647,727	0	0	113,084	0	760,811
State sources	13,663,777	195,647	11,116	0	0	13,870,540
Federal sources	219,155	660,227	424,865	0	0	1,304,247
Surplus food	0	0	36,154	0	0	36,154
Sales - school lunch	0	0	43,777	0	0	43,777
Total Revenues	19,634,538	855,874	515,912	157,640	0	21,163,964
EXPENDITURES						
General support	2,623,673	0	0	0	0	2,623,673
Instruction	8,513,713	855,874	0	0	0	9,369,587
Pupil transportation	1,386,093	0	0	0	0	1,386,093
Employee benefits	4,391,059	0	24,614	0	0	4,415,673
Debt service						
Principal	670,000	0	0	0	0	670,000
Interest	139,770	0	0	0	0	139,770
Cost of sales	0	0	487,898	0	0	487,898
Capital outlay	0	0	0	0	7,640,924	7,640,924
Total Expenditures	17,724,308	855,874	512,512	0	7,640,924	26,733,618
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,910,230	0	3,400	157,640	(7,640,924)	(5,569,654)
FUND BALANCE - BEGINNING OF YEAR	9,847,477	0	(251)	1,457,467	3,827,815	15,132,508
FUND BALANCE - END OF YEAR	\$ 11,757,707	\$ 0	\$ 3,149	\$ 1,615,107	\$ (3,813,109)	\$ 9,562,854

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2019

REVENUES - GOVERNMENTAL FUNDS AND STATEMENT OF ACTIVITIES		\$ 21,163,964
EXPENDITURES	\$ 26,733,618	
Add:		
Depreciation	1,104,221	
Pensions	36,402	
Increase in compensated absences	2,223	
	<hr/>	
	1,142,846	
Deduct:		
Other post-employment benefits	684,388	
Change in fixed assets	8,014,226	
Principal payments of long-term debt	670,000	
	<hr/>	
	9,368,614	
	<hr/>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<hr/> 18,507,850
CHANGE IN NET POSITION		<hr/> <hr/> \$ 2,656,114

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 88,683	\$ 93,521
Investment in securities	0	0
Total Assets	<u>\$ 88,683</u>	<u>\$ 93,521</u>
LIABILITIES		
Due to governmental funds	\$ 0	\$ 1,179
Extraclassroom activity balances	0	58,883
Other liabilities	0	33,459
Total Liabilities	<u>0</u>	<u>\$ 93,521</u>
NET POSITION		
Reserved for scholarships	<u>\$ 88,683</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

ADDITIONS	
Interest	\$ 803
Gifts and contributions	150
Total additions	953
DEDUCTIONS	
Scholarships and awards	3,150
Change in Net Position	(2,197)
NET POSITION - BEGINNING OF YEAR	<u>90,880</u>
NET POSITION - END OF YEAR	<u>\$ 88,683</u>

See notes to basic financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Oppenheim-Ephratah-St. Johnsville Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the District are described below:

A) Reporting Entity

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

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

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

i) Extraclassroom Activity Funds

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

B) Joint Venture

The District is one of 15 component districts in Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B) Joint Venture – (Continued)

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

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

During the year, the District was billed \$3,269,770 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year-end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$1,028,675.

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

C) Basis of Presentation

1) District-Wide Statements

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) **Basis of Presentation – (Continued)**

2) **Funds Statements**

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

The District reports the following major governmental funds:

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

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

School Lunch Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for expenditures of the school breakfast and lunch programs.

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

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

Fiduciary Fund: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

- i) **Private Purpose Trust Funds:** These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii) **Agency Funds:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D) Measurement Focus and Basis of Accounting

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

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

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

E) Property Taxes

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

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

F) Restricted Resources

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G) Interfund Transactions

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

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

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates

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

I) Cash (and Cash Equivalents)/Investments

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

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

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

Investments are stated at fair value.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J) Accounts Receivable

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

K) Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these nonliquid assets (inventories and prepaids) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L) Capital Assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	SL	40
Building improvements	5,000	SL	40
Site improvements	5,000	SL	20
Furniture and equipment	5,000	SL	8

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability and difference during the measurement period between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

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

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

	<u>ERS</u>	<u>TRS</u>
	March 31, 2019	June 30, 2018
District's proportionate share of the net pension asset (liability)	\$ (359,272)	\$ 613,965
District’s portion of the Plan’s total net pension asset (liability)	(0.0050707)%	0.033953%
Change in proportion since the prior measurement date	(0.0000002)%	(0.002129)%

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

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

For the year ended June 30, 2019, the District’s recognized pension expense of \$232,096 for ERS and \$590,695 for TRS. At June 30, 2019, the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 70,748	\$ 458,811	\$ 24,117	\$ 83,109
Changes of assumptions	90,306	2,146,210	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	92,209	681,548
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,465	298,460	6,349	56,758
District's contributions subsequent to the measurement date	67,897	590,695	0	0
Total	\$ 322,416	\$ 3,494,176	\$ 122,675	\$ 821,415

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

	ERS	TRS
Year ended:		
2020	\$ 119,259	\$ 465,759
2021	(50,906)	92,003
2022	8,691	464,313
2023	54,800	309,516
2024	0	87,137
Thereafter	0	0

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:

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.2%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	Systems experience	Systems experience
Inflation rate	2.5%	2.25%
Cost of living adjustments	1.3%	1.5%

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

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

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 weighing the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

Measurement date	<u>ERS</u> March 31, 2019	<u>TRS</u> June 30, 2018
<u>Asset type</u>		
Domestic equity	4.55%	5.8%
International equity	6.35	7.3
Global equities	0	6.7
Real estate	5.55	4.9
Domestic fixed income securities	0	1.3
Global fixed income securities	0	0.9
High-yield fixed income securities	0	3.5
Mortgages	0	2.8
Private debt	0	6.8
Short-term	0	0.3
Private equity/alternative investments	7.50	8.9
Absolute return strategies	3.75	0
Opportunistic portfolio	5.68	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.25	0
Real assets	5.29	0

Discount Rate

The discount rate used to calculate the total pension 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 that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0% for ERS and 6.25% for TRS) or 1 percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	\$ (1,570,793)	\$ (359,272)	\$ 658,492
	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	\$ (4,218,039)	\$ 613,965	\$ 4,661,842

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)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement date	March 31, 2019	June 30, 2018	
Employers' total pension asset (liability)	\$ (189,803,429)	\$ (118,107,253)	\$ (307,910,682)
Plan fiduciary net position asset (liability)	182,718,124	119,915,518	302,633,642
Employers' net pension asset (liability)	(7,085,305)	1,808,265	(5,277,040)
 Ratio of plan fiduciary net position to the employers' total pension asset (liability)	 96.27%	 101.53%	 98.29%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$67,897.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amount to \$620,382.

Additional pension information can be found in Note 9.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized. The District had no unearned revenue as of June 30, 2019.

O) 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. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

P) Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Q) Short-Term Debt

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

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

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

R) Accrued Liabilities and Long-Term Obligations

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

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

S) Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S) **Equity Classifications – (Continued)**

District-Wide Statements – (Continued)

ii) **Restricted Net Position**

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

iii) **Unrestricted Net Position**

Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Funds Statements

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

1. **Nonspendable**

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$11,519.

2. **Restricted**

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

The District has established the following restricted fund balances:

Currently Utilized by the District:

Capital

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S) **Equity Classifications – (Continued)**

Funds Statements – (Continued)

2. **Restricted – (Continued)**

Currently Utilized by the District: – (Continued)

Debt Service

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

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund under Restricted Fund Balance.

Retirement Contributions

According to General Municipal Law §6-r, must be used for 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. Under the new amendments to General Municipal Law §6-r, the Board of Education, by resolution, can establish a sub-fund within its retirement contribution reserve fund to finance retirement contributions to the New York State Teacher Retirement System. In addition, the amount of monies contributed annually to the sub-fund cannot exceed 2%, nor can the balance of the sub-fund exceed 10% of the compensation or salaries of the TRS members during the immediate preceding fiscal year. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Unemployment Insurance

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S) **Equity Classifications – (Continued)**

Funds Statements – (Continued)

2. **Restricted – (Continued)**

Currently Utilized by the District: – (Continued)

Workers' Compensation

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

Repairs

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

Insurance

According to General Municipal Law §6-n, must be 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 under Restricted Fund Balance.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S) **Equity Classifications – (Continued)**

Funds Statements – (Continued)

2. **Restricted – (Continued)**

Currently Utilized by the District: – (Continued)

Property Loss and Liability Reserve

According to Education Law 1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This reserve is accounted for in the General Fund under Restricted Fund Balance.

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

Order of Use of Fund Balance

The District's policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) New Accounting Standards

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

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. This statement establishes criteria for determining the timing and pattern of recognition of liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019. This statement establishes new disclosure requirements related to debt.

U) Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

GASB has issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020. This statement requires the reporting of majority equity interests which meet the definition of an investment at fair value and requires the reporting of majority equity interests which do not meet the definition of an investment as a component unit.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022. This statement provides a single method of reporting conduit debt obligations by issuers.

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

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

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

A) Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District’s governmental funds differs from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

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

i) Long-Term Revenue Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

iv) Pension Differences

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

v) OPEB Differences

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

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

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

Encumbrances

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

Deficit Fund Balance

The Capital Fund had a deficit fund balance of \$3,813,109. This will be eliminated as permanent financing is received.

NOTE 4 – CASH (AND CASH EQUIVALENTS), CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 – CASH (AND CASH EQUIVALENTS), CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS – (CONTINUED)

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District’s name		19,125,520

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$11,279,204 within the governmental funds and \$182,204 in fiduciary funds.

NOTE 5 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 13,112	\$ 0	\$ 0	\$ 13,112
Construction in process	1,116,294	7,640,924	0	8,757,218
Total nondepreciable historical cost	<u>1,129,406</u>	<u>7,640,924</u>	<u>0</u>	<u>8,770,330</u>
Capital assets that are depreciated:				
Buildings	34,440,257	0	0	34,440,257
Furniture and equipment	5,454,586	386,390	0	5,840,976
Total depreciable historical cost	<u>39,894,843</u>	<u>386,390</u>	<u>0</u>	<u>40,281,233</u>
Less accumulated depreciation:				
Buildings, furniture and equipment	<u>21,868,434</u>	<u>1,104,221</u>	<u>(13,088)</u>	<u>22,985,743</u>
Total accumulated depreciation	<u>21,868,434</u>	<u>1,104,221</u>	<u>(13,088)</u>	<u>22,985,743</u>
Net depreciable historical cost	<u>18,026,409</u>	<u>(717,831)</u>	<u>13,088</u>	<u>17,295,490</u>
Total historical cost, net	<u>\$ 19,155,815</u>	<u>\$ 6,923,093</u>	<u>\$ 13,088</u>	<u>\$ 26,065,820</u>
Depreciation was allocated to the following programs as follows:				
General support		\$ 208,548		
Instruction		744,759		
Pupil transportation		110,176		
School lunch program		40,738		
Total		<u>\$ 1,104,221</u>		

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 – SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	06/19/2020	2.50%	\$ 0	\$15,000,000	\$ 0	\$15,000,000

NOTE 7 – LONG-TERM DEBT

Interest on long-term debt for the year was \$139,770.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation debt					
2004 Serial Bonds	\$ 150,000	\$ 0	\$ 150,000	\$ 0	\$ 0
2010 Serial Bonds	2,640,000	0	395,000	2,245,000	415,000
2005 Serial Bonds	240,000	0	125,000	115,000	20,000
Total bonds and notes payable	3,030,000	0	670,000	2,360,000	435,000
Other liabilities:					
Other post-employment benefits	30,619,433	0	6,202,168	24,417,265	0
Compensated absences, net	307,176	2,223	0	309,399	0
TOTAL LONG-TERM LIABILITIES	\$ 33,956,609	\$ 2,223	\$ 6,872,168	\$ 27,086,664	\$ 435,000

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

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

<u>Description of Issue</u>	<u>Serial Bond</u>	<u>Serial Bond</u>	
Issue date	6/15/2010	2/15/2005	
Final maturity	6/15/2024	6/15/2024	
Interest rate	2.00-5.00%	3.375-4.000%	
Outstanding at year-end	\$ 2,245,000	\$ 115,000	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2020	\$ 435,000	\$ 110,356	\$ 545,356
2021	450,000	88,956	538,956
2022	475,000	70,019	545,019
2023	490,000	49,550	539,550
2024	510,000	25,300	535,300
Thereafter	0	0	0
TOTALS	\$ 2,360,000	\$ 344,181	\$ 2,704,181

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 624,023	\$ 104,339	\$ 0	\$ 0
Special Aid Funds	61,236	504,834	0	0
School Lunch Fund	44,282	119,189	0	0
Debt Service Fund	151,130	0	0	0
Capital Projects Fund	0	151,130	0	0
Total Governmental Activities	880,671	879,492	0	0
Fiduciary Agency Fund	0	1,179	0	0
Totals	\$ 880,671	\$ 880,671	\$ 0	\$ 0

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 9 – PENSION PLANS

General Information

The District participates in the New York State Employees’ Retirement System (NYSERS) and the New York State Teachers’ Retirement System (NYSTRS). These are cost-sharing multiple-employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions and Benefits Provided:

Teachers’ Retirement System (TRS)

The District participates in the New York State Teachers’ Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement 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. The System issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers’ Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System’s website at www.nystrs.org.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees’ Retirement System (ERS)

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

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

The District is required to contribute at a rate determined actuarially by the Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2018-2019	\$ 590,695	\$ 232,096
2017-2018	532,259	234,663
2016-2017	681,847	259,840

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District did not exercise.

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

Additional pension information can be found in Note 1 M.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	106
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>145</u>
Total	<u><u>251</u></u>

Total OPEB Liability:

The District's total OPEB liability of \$24,417,265 was measured as of July 1, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.4%
Salary Increases	3.5%, average, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	8.25% for 2019 per year to an ultimate rate of 3.94% for 2089 and later years

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Actuarial Assumptions and Other Inputs – (Continued)

The discount rate is now an input tied to a 20-year high-quality tax-exempt municipal bond index as of each Measurement Date.

Mortality rates were based on the RPH-2014 Mortality Table with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

Changes in the Total OPEB Liability:

Balance at June 30, 2018	\$ 30,619,433
Changes for the year:	
Service cost	1,091,628
Interest	1,127,134
Changes in benefit terms	0
Differences between expected and actual experience	(4,510,178)
Changes in assumptions or other inputs	(3,107,148)
Benefit payments	<u>(803,604)</u>
Net changes	<u>(6,202,168)</u>
Balance at June 30, 2019	\$ <u>24,417,265</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.60% in 2018 to 3.87% in 2019.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 28,386,621	\$ 24,417,265	\$ 21,219,041

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.25% decreasing to 2.94%) or 1 percentage point higher (9.25% decreasing to 4.94%) than the current healthcare cost trend rate:

	1% Decrease 7.25% Decreasing to <u>2.94%</u>	Healthcare Cost Trend Rates 8.25% Decreasing to <u>3.94%</u>	1% Increase 9.25% Decreasing to <u>4.94%</u>
Total OPEB Liability	\$ 20,795,889	\$ 24,417,265	\$ 29,060,877

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

For the year ended June 30, 2019, the District recognized a negative OPEB expense of \$684,388. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 3,781,555
Changes of assumptions or other inputs	0	5,376,927
Employer contributions subsequent to the measurement date	<u>850,853</u>	<u>0</u>
Total	<u>\$ 850,853</u>	<u>\$ 9,158,482</u>

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

<u>Fiscal Year Ending June 30:</u>	
2020	\$(1,067,510)
2021	(1,918,363)
2022	(1,918,363)
2023	(1,918,363)
2024	(1,485,030)
Thereafter	<u>0</u>
Total	<u>\$(8,307,629)</u>

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 11 – RISK MANAGEMENT

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

Consortiums and Self Insured Plans

The District participates in CASHIC (Capital Area Schools Health Insurance Consortium), a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 14 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide unlimited coverage for its members for each insured event. The pool obtains independent coverage for insured events in excess of the co-payment and deductible, and the District has essentially transferred all related risk to the pool.

The District participates in Madison-Oneida-Herkimer Workers' Compensation Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$29,693.

NOTE 12 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

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

NOTE 13 – CONTINGENCIES AND COMMITMENTS

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

The District does not accrue a liability for accumulating, nonvesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, nonvesting sick leave is considered a contingent liability. The District reports \$580,709 for accumulating, nonvesting sick leave.

NOTE 14 – TAX ABATEMENTS

The County of Fulton enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$36,815. The District received Payment in Lieu of Tax (PILOT) payment totaling \$3,317.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 2, 2019, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Final Budget Variance with Budgetary Actual Over (Under)</u>
REVENUES:				
Local Sources				
Real property taxes	\$ 3,838,623	\$ 3,838,623	\$ 3,932,215	\$ 93,592
Real property tax items	998,845	998,845	920,917	(77,928)
Charges for services	0	0	10,241	10,241
Use of money and property	191,921	191,921	240,506	48,585
Miscellaneous	20,000	20,000	647,727	627,727
Total Local Sources	5,049,389	5,049,389	5,751,606	702,217
State Sources	13,920,431	13,920,431	13,663,777	(256,654)
Federal Sources	35,000	35,000	219,155	184,155
Total Revenues	19,004,820	19,004,820	19,634,538	\$ 629,718

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
EXPENDITURES					
General Support					
Board of Education	39,274	39,274	33,022	\$ 741	\$ 5,511
Central administration	188,165	188,165	179,112	4,627	4,426
Finance	167,766	170,813	166,533	1,200	3,080
Staff	210,680	221,390	173,605	42,266	5,519
Central services	1,870,173	2,057,989	1,764,721	264,437	28,831
Special items	313,112	313,112	306,680	0	6,432
Instructional					
Instruction, administration and improvements	446,932	480,618	469,350	3,339	7,929
Teaching – regular school	4,152,394	4,154,850	4,101,670	3,929	49,251
Programs for children with handicapping conditions	3,503,876	3,277,876	2,714,873	23,000	540,003
Occupational education	189,210	157,675	157,675	0	0
Teaching - special school	5,000	3,990	3,990	0	0
Instructional media	725,810	764,272	556,656	200,763	6,853
Pupil services	554,142	554,142	509,499	0	44,643
Pupil Transportation	1,180,163	1,386,093	1,386,093	0	0
Employee Benefits	4,832,875	4,832,836	4,391,059	0	441,777
Debt Service	809,770	809,809	809,770	0	39
Total Expenditures	<u>19,189,342</u>	<u>19,412,904</u>	<u>17,724,308</u>	<u>\$ 544,302</u>	<u>\$ 1,144,294</u>
NET CHANGE IN FUND BALANCE	(184,522)	(408,084)	1,910,230		
FUND BALANCE – BEGINNING	<u>9,847,477</u>	<u>9,847,477</u>	<u>9,847,477</u>		
FUND BALANCE – ENDING	<u>\$ 9,662,955</u>	<u>\$ 9,439,393</u>	<u>\$ 11,757,707</u>		

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Measurement Date	July 1, 2018	July 1, 2017
Total OPEB Liability		
Service cost	\$ 1,091,628	\$ 1,398,860
Interest	1,127,134	973,748
Change of benefit terms	0	0
Differences between expected and actual experience	(4,510,178)	0
Change of assumptions or other inputs	(3,107,148)	(4,147,296)
Benefit payments	(803,604)	(747,168)
Net change in total OPEB liability	(6,202,168)	(2,521,856)
Total OPEB Liability - beginning	30,619,433	33,141,289
Total OPEB Liability - ending	<u>\$ 24,417,265</u>	<u>\$ 30,619,433</u>
Covered-employee payroll	\$ 7,686,376	\$ 7,182,968
Total OPEB liability as a percentage of covered-employee payroll	317.67%	426.28%
Plan's fiduciary net position	\$ 0	\$ 0
Net OPEB Liability	\$ 24,417,265	\$ 30,619,433

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEARS ENDED JUNE 30, 2019, 2018, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.033953%	0.036082%	0.037096%	0.040069%	0.037702%
District's proportionate share of the net pension liability (asset)	\$ (613,965)	\$ (274,263)	\$ 397,315	\$ (4,161,841)	\$ (4,199,822)
District's covered-employee payroll	5,556,999	5,607,069	5,817,803	5,826,817	6,173,605
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.0%	4.9%	6.8%	71.4%	68.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.70%	99.00%	110.50%	111.48%

NYS Employees' Retirement System

District's proportion of the net pension liability (asset)	0.0050707%	0.0050709%	0.0048807%	0.0052701%	0.0035102%
District's proportionate share of the net pension liability (asset)	\$ 359,272	\$ 163,661	\$ 458,600	\$ 845,858	\$ 118,582
District's covered-employee payroll	1,822,731	1,733,856	1,656,645	1,592,459	1,572,027
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.7%	9.4%	27.7%	53.1%	7.5%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2019, 2018, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 590,695	\$ 549,493	\$ 681,847	\$ 815,285	\$ 1,055,101
Contributions in relation to the contractually required contribution	<u>590,695</u>	<u>549,493</u>	<u>681,847</u>	<u>815,285</u>	<u>1,055,101</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,556,999	\$ 5,607,069	\$ 5,817,803	\$ 5,826,817	\$ 6,173,605
Contribution as a percentage of covered-employee payroll	10.63%	9.80%	11.72%	13.99%	17.09%

NYS Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 232,096	\$ 234,663	\$ 259,840	\$ 289,828	\$ 288,499
Contributions in relation to the contractually required contribution	<u>232,096</u>	<u>234,663</u>	<u>259,840</u>	<u>289,828</u>	<u>288,499</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,822,731	\$ 1,733,856	\$ 1,656,645	\$ 1,592,459	\$ 1,572,027
Contribution as a percentage of covered-employee payroll	12.73%	13.53%	15.68%	18.20%	18.35%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2019

ADOPTED BUDGET	\$ 19,189,342
ADDITIONS:	
Prior year's encumbrances	223,562
FINAL BUDGET	<u>\$ 19,412,904</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget	\$ 19,954,357
Maximum allowed (4% of 2019-2020 budget)	798,174
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	1,144,302
Unassigned fund balance	798,178
Total unrestricted fund balance	<u>1,942,480</u>
Less:	
Appropriated fund balance	600,000
Encumbrances included in assigned fund balance	544,302
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 798,178</u>
Actual percentage	4.0%

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2019

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>		<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balances</u>	
			<u>Prior Year</u>	<u>Current Year</u>		<u>Total</u>	<u>State Aid</u>	<u>Local Sources</u>		<u>Total</u>
Reconstruction	\$ 24,016,000	\$ 24,016,000	\$ 1,018,379	\$ 7,640,924	\$ 8,659,303	\$ 0	\$ 4,846,194	\$ 4,846,194	\$ (3,813,109)	
TOTALS	\$ 24,016,000	\$ 24,016,000	\$ 1,018,379	\$ 7,640,924	\$ 8,659,303	\$ 0	\$ 4,846,194	\$ 4,846,194	\$ (3,813,109)	

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS, NET		\$ 26,065,820
DEDUCT:		
Unspent BAN proceeds	\$ 11,338,021	
Short-term portion of bonds payable	435,000	
Long-term portion of bonds payable	<u>1,925,000</u>	
		<u>13,698,021</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 12,367,799</u></u>

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

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

**FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)**

(UNIFORM GUIDANCE)

JUNE 30, 2019



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

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, 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 Oppenheim-Ephratah-St. Johnsville Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

WEST & COMPANY CPA PC

Gloversville, New York
October 2, 2019



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

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

Report on Compliance for Each Major Federal Program

We have audited Oppenheim-Ephratah-St. Johnsville Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Oppenheim-Ephratah-St. Johnsville Central School District's major federal programs for the year ended June 30, 2019. Oppenheim-Ephratah-St. Johnsville Central School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Oppenheim-Ephratah-St. Johnsville Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Oppenheim-Ephratah-St. Johnsville Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oppenheim-Ephratah-St. Johnsville Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance 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 Oppenheim-Ephratah-St. Johnsville Central School District's internal control over compliance.

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

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

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

WEST & COMPANY CPAs PC

Gloversville, New York
October 2, 2019

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through NYS Education Department:			
Special Education Cluster:			
Special Education - Grants to States	84.027	0032190400	\$ 218,393
Special Education - Preschool Grants	84.173	0033190400	6,612
			<hr/>
Total Special Education Cluster			225,005
Title I Grants to Local Educational Agencies	84.010	0021191440	388,474
Improving Teacher Quality State Grants	84.367	0147191440	21,241
Student Support and Academic Enrichment Program	84.424	0204191440	12,500
			<hr/>
Total U.S. Department of Education			<hr/> 647,220 <hr/>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	Not Applicable	36,154
Cash Assistance			
School Breakfast Program	10.553	Not Applicable	92,769
National School Lunch Program	10.555	Not Applicable	322,805
Summer Food Service Program for Children	10.559	Not Applicable	9,291
			<hr/>
Total Child Nutrition Cluster			461,019
Child Nutrition Discretionary Grants	10.579	0005180027	13,007
			<hr/>
Total U.S. Department of Agriculture			474,026
			<hr/>
TOTAL FEDERAL AWARDS EXPENDED			\$ 1,121,246 <hr/> <hr/>

See notes to schedule of expenditures of federal awards.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

NOTE B – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the District had food commodities totaling \$2,342 in inventory.

NOTE D – INDIRECT COST RATE

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE E – CLUSTERS

The Special Education Cluster consists of Special Education – Grants to States and Special Education – Preschool Grants. The Child Nutrition Cluster consists of Food Distribution, School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified? ___ Yes X No
3. Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified? ___ Yes X No
2. Type of auditors' report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? ___ Yes X No
4. Identification of major programs:

CFDA Number

Name of Federal Program

84.027
84.173

Special Education - Grants to States
Special Education - Preschool Grant

5. Dollar threshold used to distinguish between type A and B programs: \$750,000.
6. Auditee qualified as low-risk auditee? X Yes ___ No

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2019



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Oppenheim-Ephratah-St. Johnsville Central School District as of June 30, 2019, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Oppenheim-Ephratah-St. Johnsville Central School District as of June 30, 2019, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

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

WEST & COMPANY CPAs PC

Gloversville, New York
October 2, 2019

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
JUNE 30, 2019

ASSETS	
Cash	\$ 58,883
TOTAL ASSETS	<u>\$ 58,883</u>
LIABILITIES AND CLUB BALANCES	
Club balances	\$ 58,883
TOTAL LIABILITIES AND CLUB BALANCES	<u>\$ 58,883</u>

See notes to financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Art Club	\$ 163	\$ 480	\$ 392	\$ 251
Bowling Club	10	0	0	10
Boys basketball	9	0	0	9
Boys soccer	50	1	0	51
Cheerleaders	9	2,266	1,944	331
Class of 2019	7,150	30,614	37,758	6
Class of 2020	4,869	3,805	2,327	6,347
Class of 2021	3,812	5,708	3,092	6,428
Class of 2022	2,379	3,753	2,873	3,259
Class of 2023	1,184	2,821	1,180	2,825
Class of 2024	12,861	776	13,257	380
Class of 2025	0	13,097	1,789	11,308
Drama Club	1,069	0	0	1,069
Elementary Yearbook	0	1,445	772	673
FFA	8,287	7,779	8,456	7,610
Foreign Language Club	1,436	0	0	1,436
Girls basketball	193	3	0	196
HS Band	3,191	4,691	2,656	5,226
HS Chorus	1,423	2,682	2,798	1,307
Library Club	1,823	0	0	1,823
Life Skills Class	0	592	0	592
National Honor Society	1,441	75	108	1,408
National Junior Honor Society	744	11	54	701
Pay it Forward	25	0	0	25
Prom Activity Account	135	6,439	6,254	320
Ski Club	458	0	0	458
Student Council	2,238	0	0	2,238
The Wolf Den	664	0	0	664
Volleyball	319	379	560	138
Sales tax withholding	151	2,342	724	1,769
Interest earned	400	35	410	25
TOTALS	<u>\$ 56,493</u>	<u>\$ 89,794</u>	<u>\$ 87,404</u>	<u>\$ 58,883</u>

See notes to financial statements.

OPPENHEIM-EPHRATAH-ST. JOHNSVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Oppenheim-Ephratah-St. Johnsville Central School District represent funds of 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. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the agency column of the Statement of Fiduciary Net Position – Fiduciary Funds associated with the basic financial statements of the District.

The books and records of Oppenheim-Ephratah-St. Johnsville Central School District’s Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

NOTE 2 – MANAGEMENT LETTER

The management letter items for the Extraclassroom Activity Funds are included in the management letter associated with the basic financial statements.



October 2, 2019

To the President and the Other Members
of the Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
St. Johnsville, New York

Re: Management Letter
June 30, 2019

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Oppenheim-Ephratah-St. Johnsville Central School District for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The following summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated October 2, 2019. This letter does not affect our report dated October 2, 2019, on the financial statements of Oppenheim-Ephratah-St. Johnsville Central School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Prior-Year Findings

(1) General Fund – Assigned and Unassigned Fund Balance

Prior Condition: As of June 30, 2018, assigned and unassigned fund balances have exceeded 4% of the subsequent year's General Fund appropriation budget. Real property tax law states that the assigned and unassigned fund balances should not exceed 4% of the subsequent year's General Fund appropriation budget.

Status: This condition was corrected as of June 30, 2019.

(2) **Extraclassroom Activity Funds**

Prior Condition:

- a. When performing tests of receipts and disbursements, we noted multiple issues with sales taxes.
- b. Clubs are not completing profit and loss statements or inventory control sheets for their fundraisers.
- c. We noted a number of inactive clubs.

Status: Conditions a, b were corrected; c remains unchanged for the year ended June 30, 2019.

Recommendation: We recommend that the District remove all dormant clubs from the Extraclassroom Activities Funds and, at the discretion of the Board, distribute funds from these dormant clubs to other active clubs.

(3) **School Lunch Fund Deficit**

Prior Condition: As of June 30, 2018, the school lunch fund had a deficit fund balance.

Status: This condition was corrected as of June 30, 2019.

(4) **Collateral**

Prior Condition: During our review of third-party collateral we noted that an account was not properly collateralized.

Status: This condition was corrected as of June 30, 2019.

Current-Year Findings

(1) **Transfers of Due To/Due From**

Condition: The District has balances on their bank reconciliations that relate to year end interfund transfers that did not get completed timely.

Recommendation: The Business Office should review its procedures for closing the books and make sure all transfers are done timely.

(2) **Scholarships**

Condition: The Trust & Agency Fund currently has \$10,305 in scholarships. This money was paid out as of June 30, 2019 and the balance should be \$-0-.

Recommendation: The Business Office needs to reconcile scholarships and correct the issue going forward.

* * * * *

We appreciate the courtesies, assistance and cooperation given us during our audit by Business Office personnel.

Please feel free, at your convenience, to contact us regarding our comments and recommendations, or any other matters that may come to your attention.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC

APPENDIX C
Form of Legal Opinion

December [__], 2019

Board of Education of the
Oppenheim-Ephratah-St. Johnsville Central School District
in the County of Montgomery, New York

Re: Oppenheim-Ephratah-St. Johnsville Central School District
\$3,619,836,000 Bond Anticipation Notes, 2019

Dear Board Members:

We have examined a record of proceedings relating to the issuance of \$3,619,836,000 aggregate principal amount of Bond Anticipation Notes, 2019 (the “Notes”) of the Oppenheim-Ephratah-St. Johnsville Central School District (the “Issuer”), a school district of the State of New York, situate in the County of Montgomery. The Notes are dated December 20, 2019, mature June 19, 2020, bear interest at the rate set forth therein payable at maturity and are issued pursuant to the Local Finance Law of the State of New York, a Bond Resolution authorizing the issuance of bonds in the maximum aggregate principal amount of \$19,819,806, and a certificate of the President of the Board of Education authorizing the issuance of the Notes.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that under existing law:

1. The Notes are valid and binding general obligations of the Issuer.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation, without limitation as to rate or amount to pay the Notes. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent the necessary funds are not provided from other sources.
3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the individual federal alternative minimum. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with all such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

4. In our opinion, interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof, including The City of New York.

Except as expressly stated above, we express no opinion as to any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Notes, which may include original issuance discount, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX D
Material Event Notices

Material Event Notices

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

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

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

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

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 a 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.

For the purposes of the event identified in paragraph (1) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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