

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 22, 2020

NEW ISSUE

BOND ANTICIPATION NOTES

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

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

\$1,500,000
CITY SCHOOL DISTRICT OF THE CITY OF GLOVERSVILLE
FULTON COUNTY, NEW YORK
GENERAL OBLIGATIONS
\$1,500,000 Bond Anticipation Notes, 2020

Dated: February 13, 2020

Due: June 25, 2020

The Notes are general obligations of the City School District of the City of Gloversville, Fulton County, 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 will be issued in registered form payable to the purchaser; provided, however, if the Notes are eligible for issuance through the book-entry-only system for note issues through the Depository Trust Company ("DTC") in New York, New York, the successful bidder may request with its bid that the Notes be issued in "book-entry-only" form, in which case the Notes will be registered and payable to "Cede & Co." as nominee of DTC.

If the Notes are registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. In such case, one fully registered note certificate will be issued for each maturity of the Notes.

If the Notes are issued in book-entry-only form, Noteholders will not receive certificates representing their ownership interest in the Notes and payment of the 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. Payment will be the responsibility of such DTC Direct or Indirect Participants, subject to any statutory and regulatory requirements as may be in effect from time to time.

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 in Jersey City, New Jersey or Albany or Gloversville, New York on or about February 13, 2020.

Facsimile or telephone bids will be received at R.G. Timbs, Inc. (24 Sherman Oaks Drive, New Hartford, NY 13413), fax (315) 266-9212, phone (877) 315-0100 x5, on THURSDAY January 30, 2020 until 11:00 a.m. Prevailing Time, pursuant to the terms of the Notice of Sale.

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

DATED: January 22, 2020

**CITY SCHOOL DISTRICT OF THE CITY OF GLOVERSVILLE
FULTON COUNTY, NEW YORK**

School District Officials

2019-20 BOARD OF EDUCATION

Robert Curtis - President
Sharon Poling- Vice President

Kelli DeMaio
Kevin Kucel
John Lott
Jennifer Pomeroy
Vincent Salvione
Ed Sturgess
Paula Brown-Weinstock



David Halloran - Superintendent of Schools
Cathy Meher – School District Treasurer
Elizabeth Fliegel – District Clerk



School District Attorney

Wood, Seward & McGuire, LLP

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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PREPARED WITH THE ASSISTANCE OF:

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OFFICIAL STATEMENT
of the
CITY SCHOOL DISTRICT OF THE CITY OF GLOVERSVILLE
FULTON COUNTY, NEW YORK
Relating To
\$1,500,000 Bond Anticipation Notes, 2020

This Official Statement, which includes the cover page, has been prepared by the City School District of the City of Gloversville, Fulton County, New York (the “District”, “County” and “State,” respectively) in connection with the sale by the School District of \$1,500,000 Bond Anticipation Notes, 2020 (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 the rate or amount.

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 School District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount.

The Notes are dated February 13, 2020 and mature, without option of prior redemption, on June 25, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form payable to the purchaser; provided, however, if the Notes are eligible for issuance through the book-entry-only system for note issues through the Depository Trust Company (“DTC”) in New York, New York, the successful bidder may request with its bid that the Notes be issued in “book-entry-only” form, in which case the Notes will be registered and payable to “Cede & Co.” as nominee of DTC.

If the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Payments of principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes.

If the Notes are registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds by the District at the District offices or, at the option of the purchaser, at a corporate trust office of a bank or trust company located and authorized to do business in the State of New York. The purchaser shall be responsible for the cost of such corporate trust office or bank.

Nature of the Obligation

The 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 adopted by the Board of Education on September 15, 2015 and approved by the District votes on November 17, 2015, authorizing the issuance of obligations of the District in the amount of \$37,800,000 for the financing of the construction of additions and reconstruction of various buildings.

The proceeds of the Notes will provide \$1,500,000 of new monies.

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 nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments 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. Principal of and interest on the Notes will be payable at the District's offices or, at the option of the holder of the notes, 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, will be paid by the noteholder. The Notes will remain not subject to redemption prior to their stated final maturity date.

The District

The District is situated in upstate New York in the south-central portion of Fulton County (the "County"), about 35 miles northwest of the City of Albany. It encompasses approximately 90 square miles and is located primarily within the City of Gloversville (the "City"). Additionally, the District encompasses various portions of the Towns of Johnstown, Bleecker, Caroga and Mayfield (the "Towns").

The City, together with its twin, the City of Johnstown less than 1 mile away, produces about forty percent of the fine leather gloves made in the United States. Other industries include leather tanning, knitwear, sporting goods, machines and tools, chemicals, furs, shoes, wool blankets, jackets and dyeing, lithographing, and dry cleaning. Residents not employed in the industries located in the District find employment in industrial and governmental operations in the Cities of Johnstown, Schenectady, Canajoharie and Albany.

Passenger rail service by Amtrak is available in nearby Amsterdam; The Barge Canal, located just to the south, provides direct water transportation to the Port of New York and the Great Lakes at Buffalo.

Bus transportation is provided by Greyhound and Trailways Bus Lines and air transportation is available at Albany International Airport. The New York State Thruway has an interchange just South of the District at Fultonville. Other major highways include New York State Routes 29, 30A and 67.

Electricity and natural gas are supplied throughout the District by National Grid. The City and Towns maintain water supply and distribution systems, entirely supported from user charges, and they provide sanitary sewage collection and treatment facilities. These services are supported from user charges and special benefit assessments.

Police protection is provided by the New York State Police, the Gloversville Police Department, the County Sheriff's Office, and by police departments of the respective Towns; fire protection service is provided by the Gloversville Fire Department and by local volunteer units; ambulance service is provided by private companies.

District Population

The 2017 population of the School District is estimated to be 18,663 (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 Cities, Towns and County listed below. The Figures set below with respect to such Cities, 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 Cities, 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>
City of:						
Gloversville	\$15,207	\$17,889	\$20,353	\$34,713	\$37,518	\$46,563
Towns of:						
Johnstown	17,910	27,382	\$31,050	44,167	62,076	71,361
Bleecker	19,851	28,806	28,631	43,333	78,750	52,083
Caroga	18,048	24,998	30,681	36,852	50,882	52,386
Mayfield	17,972	21,422	27,271	42,289	54,392	55,950
County of:						
Fulton	16,844	23,147	26,298	39,801	50,425	59,367
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.

Economic Developments

Recently the sale of a local golf course was announced along with plans by the new owner to create a housing development. The impact on the local economy and enrollment is not known at this time as plans are in the nascent stage.

It was recently announced that the District is in the planning stages for a Solar Project in concert with the City of Gloversville.

District Facilities

Name	Grades	Year Built	Date of Last Addition or Alteration
Meco Elementary School ¹	Pre K-1	1971	2017
Boulevard Elementary School	3-5	1969	2017
Kingsborough Elementary School	Pre K -2	1972	2017
McNab Elementary School ¹	2-5	1935	2017
Gloversville High School	9-12	1961	2017
Gloversville Middle School	Administration/6-8	1998	2017
Park Terrace Elementary	Pre K -2	1952	2017
Transportation and Maintenance Facility	N/A	2006	2018

Note 1. Due to declining enrollment and unpredictable state funding, the Board of Education voted to reconfigure the District's elementary schools. This resulted in the closure of the Meco Elementary School and the rental of the McNab Elementary School to HFM BOCES, Head Start and the Whispering Pines Pre-School. The District now has two elementary schools that house pre-kindergarten through grade 2 students and one elementary school that houses students in grades 3 through 5.

Source: District Officials

District Employees

The School District employs 441 full-time and 38 part-time employees. The number of members, the collective bargaining units which represent them and their current contract expiration dates are as follows:

<u>Employees</u>	<u>Bargaining Unit</u>	<u>Expiration Date</u>
260	Gloversville Teachers' Association	06/30/2023
76	Teachers' Aide Association	06/30/2020
37	Buildings and Grounds Association	06/30/2022
30	Cafeteria Employees Association	06/30/2020
22	Office Personnel Association	06/30/2022
38	Teaching Assistants	06/30/2020
13	Gloversville Administrative Supervisory Staff Association	06/30/2020
3	Gloversville Administrative Support Staff Association	06/30/2021

Source: District Officials

Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2015-16	2789	2020-21	2650
2016-17	2760	2021-22	2650
2017-18	2734	2022-23	2650
2018-19	2590	2023-24	2650
2019-20	2622	2024-25	2650

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	\$ 536,690	\$ 3,297,195
2015-2016	449,056	2,576,249
2016-2017	534,262	2,364,631
2017-2018	469,360	1,776,804
2018-2019	448,926	1,966,226
2019-2020 (Budgeted)	513,403	2,546,955

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 has enacted a retirement incentive for its teachers which states:

“A teacher who submits an irrevocable letter to retire to the Board of Education, through the Superintendent’s Office shall receive a payment of \$22,500 provided that the following criteria are met:

Summer/Fall of 2019 – It is the first year, or prior to the first year, that the teacher is eligible to retire without penalty according to the rules and regulations of the NYS Teachers Retirement System, and is on step 16 or above, and submits their irrevocable letter on or before June 1, 2019. For this time period only, those eligible to retire through October 31, 2019 shall be eligible to receive incentive. For this time period only, those previously eligible to retire will also be eligible.

2019-2020 school year – It is the first year, or prior to the first year that the teacher is eligible to retire without penalty according to the rules and regulations of the NYS Teachers Retirement System and who are step 20 or above. For those wishing to retire immediately after the 2019-2020 school year, the irrevocable letter will be submitted by August 31, 2019.

2020-2021 school year – It is the first year, or prior to the first year that the teacher is eligible to retire without penalty according to the rules and regulations of the NYS Teachers Retirement System and who are step 20 or above and submits their irrevocable letter by August 31, 2019.

2021-2022 school year – It is the first year, or prior to the first year that the teacher is eligible to retire without penalty according to the rules and regulations of the NYS Teachers Retirement System and who are step 20 or above and submits their irrevocable letter by January 31, 2021.

2022-2023 school year – It is the first year, or prior to the first year that the teacher is eligible to retire without penalty according to the rules and regulations of the NYS Teachers Retirement System and who are step 20 or above and submits their irrevocable letter by January 31, 2021.

For all of the years mentioned above, the District, shall in its sole discretion, reserve the right to expand the eligibility to steps lower than step 20, if it sees fit.

The district will deposit the incentive in the teacher’s approved 403(b) account no later than October 1 of the year of retirement.

Provisions under Article 11.3.A will sunset at the end of the 2023 school year on June 30th, 2023.”

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 District established a TRS Reserve Fund on May 14, 2019. The Board of Education adopted a resolution on October 7, 2019 to fund the TRS Reserve Fund it in the amount of \$388,763.

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 June 30, 2017 and financial data as of June 30, 2019, the School District's beginning year total OPEB liability was \$112,214,272, the net change for the year was \$11,020,464 resulting in a total OPEB liability of \$123,234,736 for a 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 Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
Lexington Center (Fulton Co. ARC)	Residential & Day Treatment	1,350
Nathan Littauer Hospital	Health Care	880
Gloversville School District	Education	550
Frontier	Phone Co.	481
Taylor Made Custom Products	Manufacturing	400

Source: District Officials

Unemployment Rate Statistics

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

<u>Year</u>	<u>Fulton County Unemployment Rate</u>	<u>New York State Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2014	7.7%	6.3%	6.2%
2015	6.4%	5.3%	5.3%
2016	5.7%	4.9%	4.9%
2017	5.8%	4.7%	4.4%
2018	5.1%	4.1%	3.9%

2019 Monthly Figures

	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
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, 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; (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; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the School District; (6) obligations of a New York public corporation which are made lawful investments by the School District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State; 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.

The District's investment policies comply with the State statutes as detailed above. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificate of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies.

The District is not authorized to invest in reverse repurchase agreements or derivative type investments.

Form of School Government

The Board of Education, which is the policy making body of the District, consists of nine members with overlapping three-year terms. The President and Vice President are selected by the Board members. The President of the Board is the chief fiscal officer of the District.

The administrative officers of the District, who are appointed by the Board, include the Superintendent of Schools, the Assistant Superintendents, the District Clerk, the School District Treasurer, the Tax Collector and the School District Counsel.

The duties of the administrative officers of the District are to implement policies of the Board of Education and supervise the operation of the school system.

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 261 to 117. The budget called for a total tax levy increase of 2.14% which was equal to the District Tax Cap of 2.14%

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 284 to 99. The Budget stayed within the District's Tax Cap.

The State's 2018-19 Enacted Budget included 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 was required to annually report its budgeted support for individual schools beginning with the 2018-19 fiscal year.

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2019-20 fiscal year, approximately 72.37% 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 setaside 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	\$ 58,166,180	\$ 40,190,089	69.10%
2015-2016	58,895,492	41,218,598	69.99
2016-2017	59,264,198	41,827,777	70.58
2017-2018	61,328,816	43,383,894	70.74
2018-2019	62,613,921	43,655,968	69.72
2019-2020 (Budgeted)	66,405,365	48,054,559	72.37

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 if the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2018	No Designation	3.3
2017	No Designation	15.0
2016	Susceptible	35.0

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.

New York State Comptroller Report of Examination

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

The State Comptroller's office released an audit report of the District on September 20, 2013. The purpose of the audit was to assess the District's oversight of financial operations and information technology (IT) for the period July 1, 2011 to March 31, 2013.

Key Findings

- District officials stated there was no audit committee active at the District.
- The District has not received an internal audit report since 2010-11 and the District has not appointed an internal auditor for the 2012-13 school year.
- None of the 50 claims we tested, totaling \$967,570, had been audited. One claim, totaling \$48,998, was for a truck that had no documentation to show the purchase was subject to competition, and five claims, totaling \$3,317, were for credit card charges where the credit card company electronically debited the payments directly from the District's bank account.
- The District does not have a written disaster recovery plan.
- The Treasurer has administrative rights in the financial software that allow access to all aspects of the system and District officials do not produce or review activity logs.

Key Recommendations

- Annually appoint an audit committee and enumerate its responsibilities in a charter.
- Ensure the internal audit function is performed and documented.
- Audit all claims against the District prior to payment or appoint a claims auditor to do so.
- Adopt a formal written disaster recovery plan.
- Assign the Treasurer only those user permissions that are essential for her job duties. Periodically produce and review activity logs for all users in the financial management system.

The District provided a complete response to the State Comptroller's office on September 11, 2013. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

The State Comptroller's Office recently completed an audit of the District's claims and will be issuing a report within the next 3-6 months.

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:					
Gloversville	\$ 357,957,198	\$ 360,044,390	\$ 361,384,759	\$ 362,836,275	\$ 363,500,782
Johnstown	144,311,193	146,423,458	145,878,843	143,045,598	142,769,742
Bleecker	96,422,008	96,683,224	99,011,318	99,677,020	99,343,531
Caroga	709,468	696,828	698,539	702,144	701,831
Mayfield	<u>736,825</u>	<u>737,255</u>	<u>736,244</u>	<u>736,032</u>	<u>733,481</u>
Total	<u>\$ 600,136,692</u>	<u>\$ 604,585,155</u>	<u>\$ 607,709,703</u>	<u>\$ 606,997,069</u>	<u>\$ 607,049,367</u>

Equalization Rates:

Gloversville	100.00%	100.00%	100.00%	100.00%	100.00%
Johnstown	75.70%	75.00%	70.00%	67.00%	66.00%
Bleecker	100.00%	100.00%	100.00%	100.00%	100.00%
Caroga	60.42%	63.50%	63.00%	61.00%	61.00%
Mayfield	71.00%	71.00%	68.00%	68.00%	66.00%

Full Valuations:

Gloversville	\$ 357,957,198	\$ 360,044,390	\$ 361,384,759	\$ 362,836,275	\$ 363,500,782
Johnstown	190,635,658	195,231,277	208,398,347	213,500,893	216,317,791
Bleecker	96,422,008	96,683,224	99,011,318	99,677,020	99,343,531
Caroga	1,174,227	1,097,367	1,108,792	1,151,056	1,150,543
Mayfield	<u>1,037,782</u>	<u>1,038,387</u>	<u>1,082,712</u>	<u>1,082,400</u>	<u>1,111,335</u>
Total	<u>\$ 647,226,873</u>	<u>\$ 654,094,646</u>	<u>\$ 670,985,928</u>	<u>\$ 678,247,643</u>	<u>\$ 681,423,981</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>
Gloversville	\$ 21.93	\$ 21.71	\$ 21.48	\$ 21.71	\$ 22.04
Johnstown	28.98	28.95	30.69	32.40	33.39
Bleecker	21.94	21.71	21.48	21.71	22.04
Caroga	26.31	34.19	34.10	35.58	36.13
Mayfield	30.70	30.58	31.59	31.92	33.39

Tax Collection Procedure

Taxes are collected by the City School District Tax Collector. Delinquent taxes are collected by the County Tax Enforcement Officer.

School taxes are issued September 1, payable without penalty during the month of September. If paid during the month of October a 2% penalty is added. After October, unpaid taxes are turned over to the respective enforcement officers for collection and additional penalties of 1% per month or fraction thereof are imposed.

Section 1332 of the Real Property Tax Law states that the City and County tax officers shall proceed to enforce such unpaid taxes in the same manner as though they were unpaid City and County taxes, with 5% of principal and interest added thereto. The respective tax enforcement officers will pay to the District all monies realized from the collection of unpaid taxes including interest. Less the amount of 5% added thereto. If the City or County bids on any property, the District shall receive the amount of unpaid taxes due, plus interest, less the 5% added thereto.

Tax Collection Record

Fiscal Year Ended June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund Tax Levy	\$14,199,834	\$14,199,834	\$14,413,802	\$14,722,462	\$15,017,459
Less STAR Reimbursement	3,244,029	3,126,439	2,978,038	2,896,253	2,763,695
Total Taxes to be Collected	<u>10,955,805</u>	<u>11,073,395</u>	<u>11,435,764</u>	<u>11,826,209</u>	<u>12,716,517</u>
Amount Uncollected	1,288,043	1,260,838	1,273,731	1,245,955	1,317,275
% Uncollected	11.76%	11.39%	11.14%	10.54%	10.36%

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	\$ 58,166,180	\$ 13,963,935	24.01%
2015-2016	58,895,492	14,285,716	24.26
2016-2017	59,264,198	14,824,313	24.01
2017-2018	61,328,816	15,015,148	24.48
2018-2019	62,613,921	15,728,590	25.12
2019-2020 (Budgeted)	66,405,365	15,017,459	22.61

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>Full Value</u>
Niagara Mohawk	Utility	\$28,867,114
State of New York	Government	14,151,190
Gloversville Partners Albany	Commercial	3,745,000
Clark Trading Corp.	Commercial	3,600,000
City of Gloversville	Government	3,249,504
Robert Smullen	Commercial	3,130,800
Martins Food of South	Retail	3,035,700
Frontier Communications	Utility	2,464,840
Fulton Land Associates, LLC	Commercial	2,400,000
Cerasia Holdings, Inc.	Commercial	<u>1,935,700</u>
Total		\$66,579,848

1. The above taxpayers represent 9.77% of the School District's 2019-20 Full value of \$681,423,981

The District currently has \$40,616 in pending outstanding tax certioraris. The District does not believe that if these tax certioraris were decided adversely to the District, they would have a material impact on the District.

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, 2018 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.

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

An additional real property tax credit program applicable only to school districts was enacted by Chapter 20 of the Laws of 2015 of the State ("Chapter 20"). To be eligible for the credit, the taxpayer (or taxpayers filing joint returns) on the personal income tax return filed for the taxable year two years prior, must have (i) been a resident, (ii) owned and primarily resided in real property receiving the STAR exemption, and (iii) had qualified gross income no greater than \$250,000. For the 2016 taxable year, the amount of the credit was \$185.00. For the 2017 through 2019 taxable year, the amount of the credit will be an amount equal the STAR tax savings associated with the basic STAR exemption, multiplied by a percentage determined by the taxpayer's qualified gross income. The credit is not available to residents of school districts who have adopted a budget in excess of the School District Tax Cap.

While the provisions of Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by Chapter

Tax Cut and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 11597), (the "TCJA") making major changes to the Federal Internal Revenue Code, most of which were effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, corporate income taxes, and estate taxes. The State's income tax system interacts with the Federal system in numerous ways. The changes to the Federal tax code are expected to have significant flow-through effects on state tax burdens and revenues. The State's 2019-20 Enacted Budget included State tax reform intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle. The State continues to evaluate other tax law changes in response to the TCJA. On July 18, 2018, the State, joined by Connecticut, Maryland and New Jersey, filed a lawsuit intended to protect New York taxpayers from the new Federal limit on the SALT deduction. The lawsuit argues that the new SALT limit was enacted to target New York and similarly situated states, that it interferes with the states' rights to make their own fiscal decisions, and that it will disproportionately harm taxpayers in these states. On September 30, 2019 a federal district court judge dismissed the lawsuit. The States have appealed the dismissal.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal 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.

Status of Indebtedness

Constitutional Requirements

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

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

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

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

Statutory Procedure

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

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.

Debt Limit. The School District has the power to contract indebtedness for any School District purpose provided that the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School District as required by the Local Finance Law. The statutory method for determining average full valuation is by dividing the assessed valuation of taxable real estate for the last completed and the four preceding assessment rolls by the equalization rates established by the State Office of Real Property Services in accordance with applicable State law.

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.

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Serial Bonds	\$ 50,500,000	\$ 44,520,000	\$ 39,080,000	\$ 33,470,000	\$ 27,665,000
Bond Anticipation Notes	2,800,000	-	9,000,000	13,500,000	36,145,000
Total Debt Outstanding	\$ 53,300,000	\$ 44,520,000	\$ 48,080,000	\$ 46,970,000	\$ 63,810,000

Status of Outstanding Bond Issues

Year of Issue:	2005		
Purpose/Instrument:	Reconstruction/Serial Bond		
Fiscal Year Ending June 30:	<u>Principal</u>		<u>Interest</u>
2020	\$ 145,000	*	\$ 2,900
Totals:	\$ 145,000		\$ 2,900

Year of Issue:	2012 ¹		2012 ²	
Purpose/Instrument:	Reconstruction - QSCB		Refunding /DASNY RSB	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 385,000	\$ 114,863	\$ 480,000	\$ 131,500
2021	405,000	99,463	500,000	107,500
2022	420,000	82,250	525,000	82,500
2023	440,000	63,875	550,000	56,250
2024	460,000	44,075	575,000	28,750
2025	<u>480,000</u>	<u>22,800</u>	-	-
Totals:	\$ 2,590,000	\$ 427,325	\$ 2,630,000	\$ 406,500

Year of Issue:	2015		2015	
Purpose/Instrument:	Refunding /DASNY RSB		Refunding /DASNY RSB	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,555,000	\$ 510,975	\$ 1,865,000*	\$ 355,375
2021	2,675,000	383,225	1,955,000	259,875
2022	285,000	249,475	2,055,000	159,625
2023	300,000	235,225	2,165,000	54,125
2024	310,000	220,225	-	-
2025	330,000	204,725	-	-
2026	340,000	188,725	-	-
2027	365,000	171,725	-	-
2028	375,000	153,475	-	-
2029	400,000	134,725	-	-
2030	415,000	114,725	-	-
2031	435,000	101,238	-	-
2032	440,000	87,100	-	-
2033	455,000	72,250	-	-
2034	480,000	49,500	-	-
2035	<u>510,000</u>	<u>25,500</u>	-	-
Totals:	\$ 10,670,000	\$ 2,902,813	\$ 8,040,000	\$ 829,000

Year of Issue:	2016	
Purpose/Instrument:	Refunding /DASNY RSB	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2020	\$ 665,000	\$ 159,350
2021	685,000	139,400
2022	710,000	112,000
2023	745,000	76,500
2024	<u>785,000</u>	<u>39,250</u>
Totals:	\$ 3,590,000	\$ 526,500

Note: 1 Subject to extraordinary mandatory and extraordinary option redemption.

2 The Bonds maturing in 2022-2024 are subject to redemption prior to maturity.

* Principal reduction made prior to date of Official Statement..

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	\$ 6,095,000	\$1,274,963	\$7,369,963	22.50%
2021	6,220,000	989,463	7,209,463	44.50%
2022	3,995,000	685,850	4,680,850	58.79%
2023	4,200,000	485,975	4,685,975	73.10%
2024	2,130,000	332,300	2,462,300	80.61%
2025	810,000	227,525	1,037,525	83.78%
2026	340,000	188,725	528,725	85.39%
2027	365,000	171,725	536,725	87.03%
2028	375,000	153,475	528,475	88.64%
2029	400,000	134,725	534,725	90.28%
2030	415,000	114,725	529,725	91.89%
2031	435,000	101,238	536,238	93.53%
2032	440,000	87,100	527,100	95.14%
2033	455,000	72,250	527,250	96.75%
2034	480,000	49,500	529,500	98.37%
2035	<u>510,000</u>	<u>25,500</u>	<u>535,500</u>	100.00%
Totals:	\$ 27,665,000	\$ 5,095,038	\$ 32,760,038	

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	10/17/2019	10/16/2020	1.75%	\$35,660,000

Capital Project Plans

On November 17, 2015, qualified voters of the District approved a \$37,800,000 capital project to address health, safety, wellness and infrastructure issues within Gloversville schools. The vast majority of the construction costs are for work to address issues with aging infrastructure. Many of these issues are in and around Gloversville Middle School, which opened in 1997. These issues were identified through the state-mandated development of a District-wide building condition survey and five-year facilities plan. Construction began in the summer of 2017. The District has issued \$36,300,000 against this authorization.

There are presently no other capital projects authorized nor are any contemplated.

Building Aid Estimate

Although a school district in a city is prohibited from excluding estimated building aid when computing their debt limits, a school district in a city does receive building aid. School District officials estimate that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 95.0%.

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 December 6, 2019

<u>Assessment Roll Year</u>	<u>Assessed Valuation</u>	<u>Equalization</u> ¹	<u>Equalized Value</u>
		<u>Rates</u>	
2014	600,712,249	Various	645,490,660
2015	600,136,692	Various	663,114,549
2016	604,585,155	Various	677,055,100
2017	607,709,703	Various	678,698,193
2018	606,997,069	Various	677,774,625
Total:			\$ 3,342,133,127
Five-Year Average Equalized Value			\$ 668,426,625
Debt Limit: 5% of Full Valuation			\$ 33,421,331
Inclusions:			
Serial Bonds			\$ 25,655,000
Bond Anticipation Notes			35,660,000
Total Inclusions:			\$ 61,315,000
Exclusions:			
Building Aid Estimate			\$ - ²
Appropriations			4,085,000 ³
Total Exclusions:			\$ 4,085,000
Total Net Indebtedness			\$ 57,230,000
Net Debt Contracting Margin			\$ (23,808,669)
Percentage of Debt-Contracting Power Exhausted			171.24% ⁴

Notes: 1. Special equalization rates used for computation of the constitutional debt limit for city school districts are established each year by the New York State Department of Equalization and Assessment, and may vary from year to year. Therefore, the equalized values shown here may not agree with those shown under the section "Financial Information".

2. Although city school districts are prohibited from excluding estimated building aid when computing their debt limits, city school districts do receive building aid.

3. Budgeted Appropriations, Refunded Bonds and Revenue Anticipation Notes are automatically excluded pursuant to provisions to the New York State Constitution and section 136.00 of Local Finance Law.

4. The District has received the consent of the Board of Regents and the Office of the State Comptrollers to exceed its debt limit

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	\$ 681,423,981	20.18%	\$ 1,174,524	N/A	\$ 1,174,524	\$ 237,035
Town of Bleecker	\$ 99,343,531	99.31%	\$ -	N/A	\$ -	\$ -
Town of Caroga	\$ 1,150,543	0.47%	\$ -	N/A	\$ -	\$ -
Town of Johnstown	\$ 216,317,791	47.51%	\$ 439,594	N/A	\$ 439,594	\$ 208,838
Town of Mayfield	\$ 1,111,335	0.23%	\$ -	N/A	\$ -	\$ -
City of Gloversville	\$ 363,500,782	97.95%	\$ 10,449,624	N/A	\$ 10,449,624	\$ 10,234,927
Total						\$ 10,680,800

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

Notes: Bonds and Bond Anticipation notes as of 2018 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 December 6, 2019:

	Amount	Per Capita	(a) Percentage of Full Value	(b)
Net Indebtedness	\$ 58,730,000	\$ 3,146.87	8.619%	
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 69,410,800	\$ 3,719.17	10.186%	
	(a) The District's estimated population is 18,663 (Source: 2017 U.S. Census Bureau estimate)			
	(b) The District's full valuation of taxable real estate for 2019-20 is \$681,423,981			

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 judgement 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 judgement, although judicial mandates have been issued to officials to appropriate and pay judgements 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 and of 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

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 futures 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.

Tax Exemption

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.

Claim of Hill: The District's attorney represents the District as assigned insurance defense counsel with respect to a Notice of Claim dated March 18, 2015, and filed on behalf of a mother of a female middle school student who committed suicide on December 25, 2014. The Notice alleges that the student was a victim of bullying and harassment, that the District failed to take steps to address the bullying and harassment despite notice thereof, and that the alleged bullying and harassment was a proximate cause of the student's suicide. No lawsuit against the District has commenced at this time. If the claim is placed in suit, the District and its insurance carrier intend to vigorously defend the case. The District's investigation of the claim is ongoing, and it is therefore premature to offer an opinion as to the likelihood of an unfavorable outcome in the event the claim is placed in suit, or an estimate of the potential loss.

On January 8, 2020, the School District was served with a complaint that was filed by John Doe against the School District and a former School District teacher (the "Teacher"), in the New York State Supreme Court for Fulton County. The complaint alleges that while the Teacher was employed at the School District, he sexually abused John Doe while John Doe was a student at the School District in or around the period from 1981 to 1983. The complaint also alleges, among other things, that the School District was negligent in its hiring, training, retention and supervision of the Teacher, and it seeks an unspecified amount of damages from the School District. Since this complaint is newly filed it is not possible to determine whether an adverse decision in the case would have a material adverse impact on the financial condition of the School District.

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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their underlying rating of "A" with a stable outlook to the School District's outstanding serial bonds. The rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such ratings will not be revised or withdrawn, if in the judgment of the agency circumstances so warrant.

Municipal Advisor

R.G. Timbs, Inc. 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

The execution and delivery of this Official Statement have been duly authorized by the Board of Education of the School District. Concurrently with the delivery of the Notes, the School 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 therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the School District is not guaranteed as to accuracy, completeness or fairness, the School District has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the School District, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the School District and no material adverse changes in the general affairs of the School District or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement. Certain information contained in the Official Statement has been obtained from sources other than the School District. All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

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.

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.

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 contact information is as follows: Cathy Meher, School District Treasurer, City School District of the City of Gloversville, Administration Building -234 Lincoln Street, Gloversville, New York 12078, telephone number 518-775-5706, email: cmeher@gesdk12.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 (877) 315-0100 or at www.RGTimbsInc.net.

CITY SCHOOL DISTRICT OF THE CITY OF GLOVERSVILLE

Dated: January 22, 2020

ROBERT CURTIS
President of Board of Education
And Chief Fiscal Officer

APPENDIX A

Financial Information

General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	Budget					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Fund Balance - July 1	\$6,388,986	\$4,256,085	\$3,850,110	\$5,258,671	\$9,845,643	\$13,665,616 ^E
<u>Revenues:</u>						
Real Property Taxes	\$13,963,935	\$14,285,716	\$14,824,313	\$15,015,148	\$15,728,590	\$15,017,459
Non-Property Taxes	607,441	535,236	0	0	0	695,000
Charges for Services	129,629	97,651	105,779	92,827	172,497	84,500
Use of Money & Property	303,406	313,588	366,207	447,867	608,546	385,000
Sale of Property/Comp. for Loss	10,185	34,529	12,640	77,031	72,826	0
Miscellaneous	1,249,741	1,181,052	1,951,042	2,106,674	2,156,991	1,350,000
State Aid	40,190,089	41,218,598	41,827,777	43,383,894	43,655,968	48,054,559
Federal Aid	211,754	138,122	176,440	205,375	218,503	200,000
Interfund Transfer	<u>1,500,000</u>	<u>1,091,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>618,847</u>
Total Revenues	\$58,166,180	\$58,895,492	\$59,264,198	\$61,328,816	\$62,613,921	\$66,405,365
<u>Expenditures:</u>						
General Support	\$7,971,837	\$6,797,712	\$6,580,457	\$6,380,348	\$6,211,536	\$6,667,621
Instruction	27,788,788	27,916,493	28,332,899	27,764,263	28,849,756	32,247,700
Transportation	2,040,506	2,110,817	2,178,326	2,142,118	2,429,075	3,094,407
Employee Benefits	11,869,007	12,270,244	13,290,564	12,986,921	13,529,750	14,757,189
Debt Service	10,450,649	10,121,110	7,347,534	7,362,385	7,694,682	10,280,540
Interfund Transfer	<u>178,294</u>	<u>85,091</u>	<u>73,016</u>	<u>105,809</u>	<u>79,149</u>	<u>0</u>
Total Expenditures	\$60,299,081	\$59,301,467	\$57,802,796	\$56,741,844	\$58,793,948	\$67,047,457
Adjustments	0	0	-52841	0	0	0
Year End Fund Balance	\$4,256,085	\$3,850,110	\$5,258,671	\$9,845,643	\$13,665,616	\$13,023,524 ^E
Excess (Deficit) Revenues Over Expenditures	(\$2,132,901)	(\$405,975)	\$1,461,402	\$4,586,972	\$3,819,973	(\$642,092) ¹

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

Note: 1. Appropriated Fund Balance is planned to be used

E. Estimated

General Fund – Comparative Balance

Fiscal Year Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assets:					
Unrestricted Cash	\$4,029,232	\$1,516,109	\$484,773	\$1,356,700	\$6,981,383
Restricted Cash	751,172	751,342	918,152	111,421	1,180,766
Investments	0	0	4,341,232	3,753,622	2,317,740
Taxes Receivable	704,613	736,995	776,428	939,304	632,777
Due from Other Funds	5,578,628	8,050,464	8,499,164	4,002,876	4,647,034
State and Federal Aid Receivable	4,004,949	5,470,388	4,238,495	4,548,748	4,314,803
Other Receivables	211,431	123,069	195,757	147,977	141,786
Due to Fiduciary Funds	<u>79,408</u>	<u>79,407</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$15,359,433</u>	<u>\$16,727,774</u>	<u>\$19,454,001</u>	<u>\$14,860,648</u>	<u>\$20,216,289</u>
Liabilities:					
Accounts Payable	\$498,537	\$244,310	\$150,139	\$605,087	\$120,555
Accrued Liabilities	105,003	84,181	100,910	69,994	79,075
Due to Other Funds	6,079,910	8,921,376	10,534,282	1,268,605	3,338,131
Due to Teachers' Retirement System	3,544,324	2,760,660	2,500,006	2,007,790	2,260,534
Due to Employees' Retirement System	170,961	130,142	133,565	124,225	119,601
Deferred Revenues	<u>704,613</u>	<u>736,995</u>	<u>776,428</u>	<u>939,304</u>	<u>632,777</u>
Total Liabilities:	<u>\$11,103,348</u>	<u>\$12,877,664</u>	<u>\$14,195,330</u>	<u>\$5,015,005</u>	<u>\$6,550,673</u>
Fund Balances:					
Non-spendable	\$0	\$0	\$0	\$0	\$0
Restricted	1,251,134	751,342	918,152	862,458	1,180,766
Assigned	1,999,869	664,721	450,446	1,936,417	1,367,173
Unassigned	<u>1,005,082</u>	<u>2,434,047</u>	<u>3,890,073</u>	<u>7,046,768</u>	<u>11,117,677</u>
Total Fund Balance	<u>\$4,256,085</u>	<u>\$3,850,110</u>	<u>\$5,258,671</u>	<u>\$9,845,643</u>	<u>\$13,665,616</u>
Total Liabilities and Fund Balance	<u>\$15,359,433</u>	<u>\$16,727,774</u>	<u>\$19,454,001</u>	<u>\$14,860,648</u>	<u>\$20,216,289</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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

GLOVERSVILLE ENLARGED SCHOOL DISTRICT

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GLOVERSVILLE ENLARGED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Gloversville Enlarged School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gloversville Enlarged 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A9, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gloversville Enlarged School District's basic financial statements. The supplemental information on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page F3 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
October 8, 2019

GLOVERSVILLE ENLARGED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- For 2018-2019, total district-wide revenues were \$69,105,373 and total district-wide expenditures were \$66,430,252, resulting in an increase in net position of \$2,675,121.
- In 2018-2019, the District received several federal grants, including Title I, Title IIA and Title I School Improvement. These grants are used to fund programs that enhance literacy and provide opportunities for staff development. Grant funding is also utilized to offset teacher salaries so that Gloversville can continue to provide smaller classrooms and focus on at risk students to help them achieve their goals and improve graduation rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *Government-wide* financial statements, the Statement of Net Position and the Statement of Activities and Changes in Net Position. These provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.
- The *governmental funds statements* tell how basic services, such as special education, were financed in the *short-term*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by sections of required supplementary information and supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund equity 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in 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 outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue 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.

Government-wide Statements

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

The two Government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities, and the performance of students should be considered.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Statements (continued)

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

Net position of the governmental activities differ from governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the Statement of Net Position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position as follows:
 - Investment in capital assets, net of related debt.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-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, capital projects fund, and the debt service fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund equity.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-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

Figure A-2 Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Current and other assets	\$ 29,305,897	\$ 23,824,925	23.0%
Noncurrent assets	<u>112,629,879</u>	<u>95,005,778</u>	18.6%
Total assets	\$ <u>141,935,776</u>	\$ <u>118,830,703</u>	19.4%
Deferred outflows of resources	<u>18,496,302</u>	<u>13,634,033</u>	(35.6%)
Current liabilities	\$ 46,988,538	\$ 25,460,135	84.5%
Long-term liabilities	<u>146,857,580</u>	<u>141,440,135</u>	3.8%
Total liabilities	\$ <u>193,846,118</u>	\$ <u>166,900,270</u>	16.1%
Deferred inflows of resources	<u>6,857,514</u>	<u>8,511,141</u>	19.4%
Net position			
Net investment in capital assets	\$ 54,457,431	\$ 51,563,393	5.6%
Restricted	4,855,309	4,493,989	(8.0%)
Unrestricted	<u>(99,584,294)</u>	<u>(99,004,057)</u>	.5%
Total net position	\$ <u>(40,271,554)</u>	\$ <u>(42,946,675)</u>	(6.2%)

Most of the District's net position is invested in capital assets (buildings, land and equipment). The remaining unrestricted net position is a combination of assigned, unassigned, and nonspendable amounts. The restricted balances are amounts set aside to fund future purchases, debt payments, tax certioraris, retirement contributions, unemployment insurance benefits, workers compensation benefits, or capital projects planned by the district.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-3 Changes in Net Position from Operating Results

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenue			
Charges for services	\$ 322,628	\$ 244,585	31.9%
Operating grants	6,316,434	6,332,081	.2%
General revenue			
Property taxes	15,422,063	15,178,024	1.6%
State aid	43,655,968	43,383,894	.6%
Investment earnings	660,370	471,091	40.1%
Other	<u>2,727,910</u>	<u>2,528,132</u>	7.9%
Total revenue	<u>69,105,373</u>	<u>68,137,807</u>	1.4%
Expenses			
General support	6,211,536	6,342,115	(2.0%)
Instruction	32,860,282	31,884,476	(3.0%)
Transportation	2,259,059	2,167,434	4.2%
Employee benefits	17,922,107	16,785,172	6.7%
Depreciation expense	3,087,735	3,086,296	0.0%
Debt service - Interest	2,207,363	1,440,868	(53.1%)
Food services	<u>1,882,170</u>	<u>1,625,323</u>	(15.7%)
Total expenses	<u>66,430,252</u>	<u>63,421,684</u>	4.8%
Increase in net position	<u>\$ 2,675,121</u>	<u>\$ 4,806,123</u>	<u>44.3%</u>

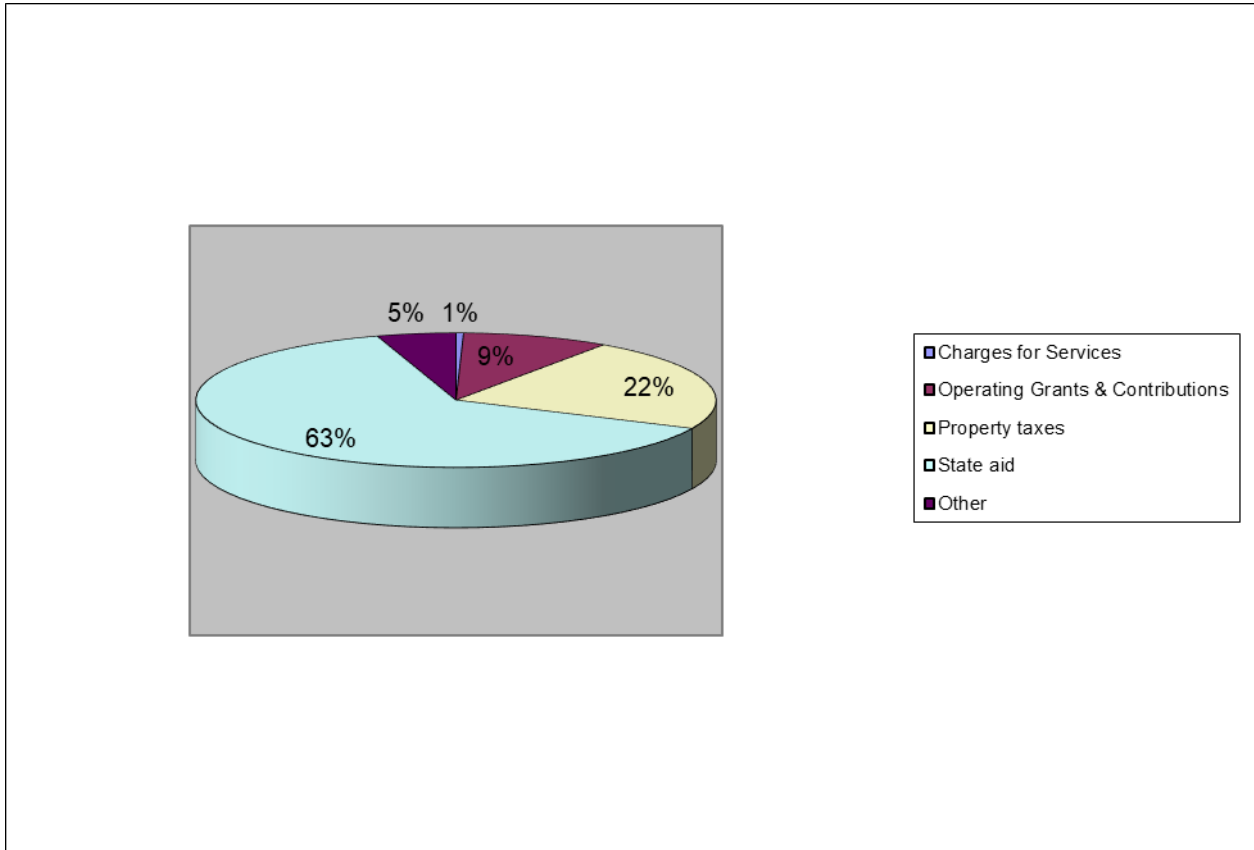
The District's fiscal year 2018-2019 revenues totaled \$69,105,373. Property taxes and state aid accounted for most of the District's revenue by contributing 22.3% and 63.1%, respectively. The remainder came from fees charged for services, operating grants, federal sources, school lunch sales, and other miscellaneous sources.

The total cost of all programs and services totaled \$66,430,252 for the fiscal year 2018-2019. These expenses are predominantly related to general support, instruction, and pupil transportation. The District's administration, business, and operations and maintenance accounted for \$6,211,536, or approximately 9.3% of the total costs.

The increase in net position for governmental activities was \$2,675,121 in the 2018-2019 fiscal year.

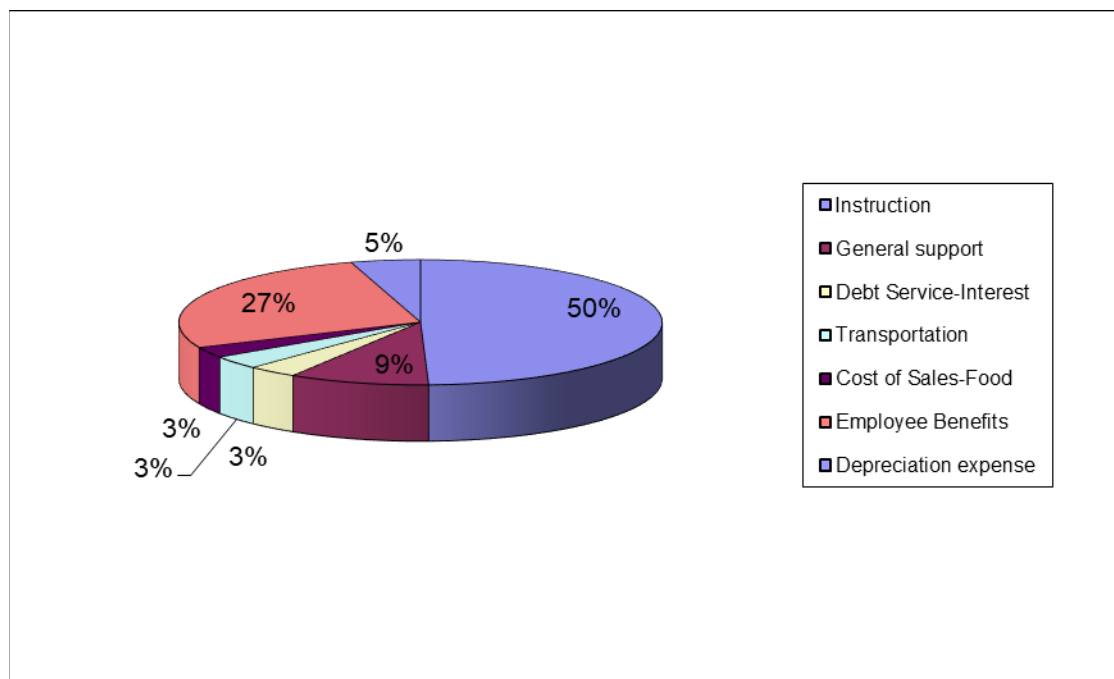
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-4: Revenue Sources for 2019



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-5: Expense Sources for 2019



Governmental Activities

Figure A-6 presents the cost of several of the District's major activities. The figure 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 District's taxpayers by each of these functions.

Figure A-6 Net Cost of Governmental Activities

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
General support	\$ 6,211,536	\$ 6,211,536	\$ 6,342,115	\$ 6,342,115
Instruction	32,860,282	28,004,976	31,884,476	27,103,764
Pupil transportation	2,259,059	2,259,059	2,167,434	2,167,434
Employee benefits	17,922,107	17,922,107	16,785,172	16,785,172
Depreciation	3,087,735	3,087,735	3,086,296	3,086,296
Debt service - Interest	2,207,363	2,207,363	1,440,868	1,440,868
Food service	1,882,170	98,414	1,625,323	(170,631)
Other expenses	-	-	-	-
Decrease in net position	<u>\$ 66,430,252</u>	<u>\$ 59,791,190</u>	<u>\$ 63,331,684</u>	<u>\$ 56,755,018</u>

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

- The cost of all governmental activities for the year was \$66,430,252.
- The users of the District's programs financed \$322,628 of the costs.
- The federal and state government financed \$6,316,434 of the costs.
- The majority of costs were financed by the District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Government-wide financial statements. The 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.

General Fund Budgetary Highlights

During the year, final revenues were under the revised budgetary estimates by \$610,811, primarily due to the State Aid and interfund transfers being less than anticipated. Expenditures and encumbrances were under the revised budgetary estimates by \$5,642,119, that majority of which was due to employee benefits and instruction.

The District remained within budget. Budgets have been adjusted as and when authorized by law.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2019, the District had \$112,629,879 invested in buildings, computers, and other educational equipment.

Figure A-7 Capital Assets, net of accumulated depreciation

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Land	\$ 724,073	\$ 724,073
Buildings and improvements	78,259,634	81,044,710
Construction in progress	32,496,909	12,102,365
Furniture, equipment, and vehicles	<u>1,149,263</u>	<u>1,134,630</u>
Total	<u>\$ 112,629,879</u>	<u>\$ 95,005,778</u>

Long-Term Debt

As of June 30, 2019, the District had \$27,665,000 in long-term debt. Detailed information about the District's long-term debt is included in the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Figure A-8 Outstanding Long-Term Liabilities

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Other postemployment benefits	\$ 123,234,736	\$ 112,214,272
Long-term portion of bonds payable	21,570,000	27,665,000
Compensated absences	1,343,447	1,224,788
Net pension liability - ERS	<u>709,397</u>	<u>336,075</u>
Total	<u>\$ 146,857,580</u>	<u>\$ 141,440,135</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

As in previous years, the Gloversville Enlarged School District continues to face increases in New York State foundation-aid revenues that do not meet the rising costs of educating the children within the district. The District continuously looks to partner with other districts and community agencies to bring quality educational curriculum and programming to district students in the most cost effective way.

The 2019-2020 budget was passed by a majority of the voters. The District continues reaching out to voters through multiple venues, communicating the budget message. A new public relations position was created to assist in promoting our students and to highlight their successes both in the classroom and on the athletic fields. The district school buses were also included in this year's budget, with the State reimbursing the District 90% of the cost associated with bus purchases. The \$37.8M capital project that included renovations to most of the school buildings and several athletic fields will be completed during the 2019-2020 school year. Since the District receives over 90% in building aid and has a debt service reserve fund, there will be little to no cost to the taxpayer.

The New York State legislature has imposed a 2% tax levy cap for 2019-2020 and the foreseeable future without mandated relief. This represents fiscal challenges, not only for Gloversville, but for school districts across the state. A five-year financial plan will be developed in the 2019-2020 school year to assist the Board of Education in looking to the future as they continue their conservative, structurally balanced approach to budgeting while striving to maintain financial stability for the taxpayers and keep the tax rates within the NYS Tax Cap guidelines.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Gloversville Enlarged School District
Attn: Cathy Meher, District Treasurer
234 Lincoln Street
Gloversville, NY 12078-1935
Office: (518) 775-5706

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets		
Cash - Unrestricted	\$	7,181,000
Cash - Restricted		6,661,105
Investment in Securities - Unrestricted		2,332,738
Investment in Securities - Restricted		1,710,741
Accounts Receivable		159,477
Taxes Receivable		632,777
Due From Fiduciary Funds		443,854
State and Federal Aid Receivable		8,001,516
Inventories		31,603
Capital Assets, net		112,629,879
Net Pension Asset, Proportionate Share		2,151,086
Total Assets		<u>141,935,776</u>
Deferred Outflows of Resources		
Pensions		12,413,895
Other Post Employment Benefits Payable		6,082,407
Total Deferred Outflows of Resources		<u>18,496,302</u>
Total Assets and Deferred Outflows of Resources	\$	<u><u>160,432,078</u></u>

LIABILITIES

Current Liabilities		
Accounts Payable	\$	695,315
Accrued Liabilities		87,431
Retainage Payable		757,194
Due to Other Governments		140
Bond Interest Accrued		779,130
Due to Teachers' Retirement System		2,260,534
Due to Employees' Retirement System		119,601
Refundable Advances		49,193
Bond Anticipation Notes		36,145,000
Long-Term Liabilities - Due and Payable Within One Year		
Bonds		6,095,000
Long-Term Liabilities - Due and Payable After One Year		
Bonds		21,570,000
Compensated Absences		1,343,447
Other Post Employment Benefits Payable		123,234,736
Net Pension Liability, Proportionate Share		709,397
Total Liabilities		<u>193,846,118</u>
Deferred Inflows of Resources		
Pensions		3,067,115
Other Post Employment Benefits Payable		3,790,399
Total Deferred Inflows of Resources		<u>6,857,514</u>

NET POSITION

Net Investment in Capital Assets		54,457,431
Restricted		4,855,309
Unrestricted		<u>(99,584,294)</u>
Total Net Position		<u>(40,271,554)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$	<u><u>160,432,078</u></u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 6,211,536	\$ -	\$ -	\$ (6,211,536)
Instruction	32,860,282	172,497	4,682,809	(28,004,976)
Pupil transportation	2,259,059	-	-	(2,259,059)
Employee benefits	17,922,107	-	-	(17,922,107)
Debt service - interest	2,207,363	-	-	(2,207,363)
Depreciation - unallocated	3,087,735	-	-	(3,087,735)
School lunch program	<u>1,882,170</u>	<u>150,131</u>	<u>1,633,625</u>	<u>(98,414)</u>
Total Functions and Programs	<u>\$ 66,430,252</u>	<u>\$ 322,628</u>	<u>\$ 6,316,434</u>	<u>(59,791,190)</u>
GENERAL REVENUES				
Real property taxes				15,422,063
Investment earnings				296,157
Use of money and property				364,213
Sale of property and compensation for loss				72,826
State sources				43,655,968
Federal sources				218,503
Miscellaneous				<u>2,436,581</u>
Total General Revenues				<u>62,466,311</u>
Change in Net Position				<u>2,675,121</u>
Total Net Position - Beginning of Year				<u>(42,946,675)</u>
Total Net Position - End of Year				<u>\$ (40,271,554)</u>

See accompanying notes to financial statements.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash - Unrestricted	\$ 6,981,383	\$ 161,956	\$ 37,661	\$ -	\$ -	\$ 7,181,000
Cash - Restricted	1,180,766	-	-	5,300,045	180,294	6,661,105
Investments - Unrestricted	2,317,740	505	14,493	-	-	2,332,738
Investments - Restricted	-	-	-	337,507	1,373,234	1,710,741
State and Federal Receivable	4,314,803	3,354,720	331,993	-	-	8,001,516
Due From Other Funds	4,647,034	848,657	319,484	876,548	2,539,457	9,231,180
Accounts Receivable	141,786	-	17,691	-	-	159,477
Taxes Receivable	632,777	-	-	-	-	632,777
Inventories	-	-	31,603	-	-	31,603
Total Assets	\$ 20,216,289	\$ 4,365,838	\$ 752,925	\$ 6,514,100	\$ 4,092,985	\$ 35,942,137
Liabilities						
Accounts Payable	\$ 120,555	\$ 56,945	\$ 724	\$ 517,091	\$ -	\$ 695,315
Accrued Liabilities	79,075	2,669	5,687	-	-	87,431
Due to Other Funds	3,338,131	4,261,042	370,469	399,042	418,642	8,787,326
Due to Other Governments	-	-	140	-	-	140
Due to Teachers' Retirement System	2,260,534	-	-	-	-	2,260,534
Due to Employees' Retirement System	119,601	-	-	-	-	119,601
Refundable Advances	-	45,182	4,011	-	-	49,193
Bond Anticipation Notes	-	-	-	36,145,000	-	36,145,000
Total Liabilities	5,917,896	4,365,838	381,031	37,061,133	418,642	48,144,540
Deferred Inflows of Resources	632,777	-	-	-	-	632,777
Fund Equity (Deficiency)						
Fund Equity (Deficiency):						
Non-spendable	-	-	31,603	-	-	31,603
Restricted	1,180,766	-	200	-	3,674,343	4,855,309
Assigned	1,367,173	-	340,091	-	-	1,707,264
Unassigned	11,117,677	-	-	(30,547,033)	-	(19,429,356)
Total Fund Equity (Deficiency)	13,665,616	-	371,894	(30,547,033)	3,674,343	(12,835,180)
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	\$ 20,216,289	\$ 4,365,838	\$ 752,925	\$ 6,514,100	\$ 4,092,985	\$ 35,942,137

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund equity of the governmental funds	\$ (12,835,180)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	112,629,879
Accrued interest expense is reported under the accrual basis	(779,130)
Receivables expected to be collected after the 60 day availability period are reported as deferred inflows in the governmental funds but as revenue in the entity-wide statements	632,777
Retainage payable is reported under the accrual basis	(757,194)
Net pension asset	2,151,086
Net pension liability	(709,397)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	9,346,780
Deferred (inflows)/outflows of resources - other post employment benefits payable	2,292,008
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(152,243,183)</u>
Net Position of Governmental Activities	\$ <u>(40,271,554)</u>

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 15,728,590	\$ -	\$ -	\$ -	\$ -	\$ 15,728,590
Charges for Services	172,497	-	-	-	-	172,497
Use of Money and Property	608,546	-	334	-	51,490	660,370
Sale of Property and Compensation for Loss	72,826	-	-	-	-	72,826
Miscellaneous	2,156,991	-	-	279,590	-	2,436,581
State Sources	43,655,968	1,862,487	36,615	-	-	45,555,070
Federal Sources	218,503	2,820,322	1,597,010	-	-	4,635,835
Sales	-	-	150,131	-	-	150,131
Total Revenues	<u>62,613,921</u>	<u>4,682,809</u>	<u>1,784,090</u>	<u>279,590</u>	<u>51,490</u>	<u>69,411,900</u>
Expenditures						
General Support	6,211,536	-	-	-	-	6,211,536
Instruction	28,849,756	4,110,659	-	-	-	32,960,415
Pupil Transportation	2,429,075	47,143	-	-	-	2,476,218
Employee Benefits	13,529,750	604,156	258,878	-	-	14,392,784
Debt Service	7,694,682	-	-	-	-	7,694,682
Cost of Sales	-	-	1,623,289	-	-	1,623,289
Capital Outlay	-	-	-	20,068,504	-	20,068,504
Total Expenditures	<u>58,714,799</u>	<u>4,761,958</u>	<u>1,882,167</u>	<u>20,068,504</u>	<u>-</u>	<u>85,427,428</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,899,122</u>	<u>(79,149)</u>	<u>(98,077)</u>	<u>(19,788,914)</u>	<u>51,490</u>	<u>(16,015,528)</u>
Other Sources And (Uses)						
Interfund Transfers, net	(79,149)	79,149	-	-	-	-
BANs Redeemed From Appropriations	-	-	-	155,000	-	155,000
Total Other Sources (Uses)	<u>(79,149)</u>	<u>79,149</u>	<u>-</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>3,819,973</u>	<u>-</u>	<u>(98,077)</u>	<u>(19,633,914)</u>	<u>51,490</u>	<u>(15,860,528)</u>
Fund Equity, Beginning of Year	<u>9,845,643</u>	<u>-</u>	<u>469,971</u>	<u>(10,913,119)</u>	<u>3,622,853</u>	<u>3,025,348</u>
Fund Equity, End of Year	<u>\$ 13,665,616</u>	<u>\$ -</u>	<u>\$ 371,894</u>	<u>\$ (30,547,033)</u>	<u>\$ 3,674,343</u>	<u>\$ (12,835,180)</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Net changes in fund balance - total governmental funds		\$ (15,860,528)
<p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.</p>		
	Depreciation expense \$	(3,087,735)
	Capital outlays (excluding retainage)	<u>20,711,836</u>
		17,624,101
<p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2018/19 results in more expense.</p>		
		(472,681)
<p>Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.</p>		
		(155,000)
<p>Retainage cost does not meet the criteria to be recorded as expenditures in the government funds.</p>		
		(326,040)
<p>Repayments of long-term debt are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position.</p>		
		5,960,000
<p>Property taxes are reported as revenue in governmental funds when available. Property taxes that are levied but not considered available are reported as deferred inflows of resources. However, for governmental activities, property tax revenues are recognized when levied.</p>		
		(306,527)
<p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
	Other Post Employment Benefits	(4,055,177)
	Compensated Absences	(118,659)
	Adjustments for net pension liability - ERS	399,886
	Adjustments for net pension asset - TRS	<u>(14,254)</u>
Change in net position - governmental activities		\$ <u><u>2,675,121</u></u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 926,026	\$ -
Cash - restricted	96,834	292,054
Due from other funds	10,809	-
Investments - restricted	-	61,591
Total Assets	\$ 1,033,669	\$ 353,645
LIABILITIES		
Extraclassroom activity balances	\$ 96,834	\$ -
Due to other funds	454,663	-
Other liabilities	482,172	-
Total Liabilities	\$ 1,033,669	\$ -
NET POSITION		
Reserved for scholarships		\$ 353,645

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 56,479
Investment earnings	1,521
Total Additions	58,000
DEDUCTIONS	
Scholarships and awards	35,392
Change in Net Position	22,608
Net Position - Beginning of year	331,037
Net Position - End of year	\$ 353,645

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Gloversville Enlarged School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Gloversville Enlarged 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 nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit. 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 an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Fund

The extraclassroom activity funds of the District represents 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 fund can be found at the District's business office, located at 234 Lincoln Street, Gloversville, New York 12078-1935.

B. Joint Venture

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

During the year ended June 30, 2019, the District was billed \$11,649,214 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$3,271,061. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide Statements

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund Financial 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.

I. Governmental Funds

The following are the District's governmental funds:

General Fund

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

Special Aid Fund

This funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and 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

Used to account for transactions in the District's lunch and breakfast programs.

Capital Projects Fund

This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Debt Service Fund

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

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

There are two classes of fiduciary funds:

Private Purpose Trust Funds

These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds

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

D. Basis of Accounting/Measurement Focus

General Information

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

The governmental fund 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 ninety days after the end of the fiscal year, except for real property taxes, which are considered to be available if collected within sixty days of the fiscal year end.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, pensions, 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. Refundable Advances

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 a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenues are recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 20, 2018. Taxes were collected during the period September 1 to November 1, 2018.

II. Enforcement

The County in which the District is located enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the County to the District within two years from the return of the unpaid taxes to the county. Real property tax receivables expected to be collected within sixty days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

G. 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.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end 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 located 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 which exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.
- e. 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.
- f. Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.
- g. As noted on the schedule of revenues, expenditures and changes in fund balance - budget and actual-general fund, certain line items were over budget by insignificant amounts.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

II. Encumbrances

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

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District investment policies are governed by State statutes. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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 School Districts. Investments are stated at fair value.

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. Accounts receivable in the General Fund represent amounts owed to the District for use of facilities and tuition.

K. Inventories and Prepaid Items

Inventories of food and supplies 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 inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Inventories and Prepaid Items

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

L. Interfund Transactions

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

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

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

M. Short-Term Debt

The District may issue revenue anticipation notes (RANs) or tax anticipation notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

District-wide statements:

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

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

Fund statements:

In the governmental funds statements there are five classifications of fund equity.

Non-spendable fund equity - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$31,603.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all 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 equity. Fund equity of the school lunch fund of \$200 representing encumbrances is considered restricted. The District has established the following restricted fund equity:

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The portion of the reserve for ERS is \$250,693, and \$388,763 for TRS.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Fund statements:

Insurance

According to General Municipal Law §6-n, this reserve 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.

Tax Certiorari Reserve

According to General Municipal Law §3651.a, this reserve must be used to establish a reserve fund for tax certiorari to be expended from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Debt Service

Used to account for the unspent proceeds of debt restricted for debt service.

Restricted fund equity includes the following:

General Fund:	
Retirement Contribution	\$ 639,456
Insurance	500,694
Tax Certiorari	40,616
Debt Service Fund	3,674,343
School Lunch Fund - Encumbrances	<u>200</u>
Total Restricted Funds	<u>\$ 4,855,309</u>

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Fund statements:

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 equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as of the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$725,082. Appropriated fund equity in the General Fund amounted to \$642,091. The School Lunch Fund reports \$340,091 in assigned fund equity.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund		
General Support	\$	53,137
Instruction		671,944
Employee Benefits		<u>1</u>
	\$	<u>725,082</u>

Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. In funds other than the General Fund, the unassigned classification is used to report a deficit fund equity 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 District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded the 4% limitation at June 30, 2019 by \$8,435,779.

Net Position/Fund Equity

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Order of Use of Fund Equity:

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

O. Post Employment Benefits

In addition to providing the retirement benefits described in Note 4.B.I, the District provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these 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 employment benefits is shared between the District and the retired employee. See Note 6.

P. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair 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 In Years</u>
Buildings	\$ 5,000	SL	40
Building Improvements	5,000	SL	40
Site Improvements	5,000	SL	20
Furniture and Equipment	5,000	SL	5-10

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

R. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, potential contingent liabilities, net pension asset/liability, deferred outflows/inflows, and useful lives of long-term assets.

S. *Vested Employee Benefits*

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 receive a payment based on unused accumulated sick leave, based on contractual provisions.

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 method and an accrual for that liability is included in the District-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

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

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. If applicable, the District may have four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the 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 proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to the 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. If applicable, the District may have two items that qualifies for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

U. Implementation of 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. These standards had minimal impact on the District:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, (Including Direct Borrowing and Direct Placements)*, effective for the year ending June 30, 2019.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V. Future Changes in Accounting Standards

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.

GASB has issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

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

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

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

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

- a. Total fund balances of governmental fund vs. net position of governmental activities:

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

- b. Statement of Revenues, Expenditures, and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds statement of revenues, expenditures, and changes in fund equity and the statement of activities and changes in net position fall into one of five broad categories. The differences represent:

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities and changes in net position reports revenue 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 in the statement of activities and changes in net position.

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 in the statement of activities and changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities and changes in net position.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities and changes in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

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.

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.

Deficit Fund Balances

There was a deficit fund balance in the capital projects fund of \$30,547,033. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2019 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on Level 2 of the hierarchy.

The District participates in NY CLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held \$4,105,070 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

Total investments of the cooperative as of June 30, 2019 \$2,492,546,027, which consisted of \$350,918,796 in repurchase agreements, \$235,026,621 in collateralized bank deposits and \$1,905,848 in U.S. Government Treasury Securities.

Investments in Securities at Value	<u>Level 1</u>	Valuation Inputs <u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
General Fund	\$ -	\$ 2,317,740	\$ -	\$ 2,317,740
Special Aid Fund	-	505	-	505
School Lunch Fund	-	14,493	-	14,493
Capital Projects Fund	-	337,507	-	337,507
Debt Service Fund	-	1,373,234	-	1,373,234
Private Purpose Trust	-	61,591	-	61,591
Total	<u>\$ -</u>	<u>\$ 4,105,070</u>	<u>\$ -</u>	<u>\$ 4,105,070</u>

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2019, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position.

Restricted Cash and Investments

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 at year-end consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 639,456	Retirement Contributions Reserve
	500,694	Insurance Reserve
	<u>40,616</u>	Tax Certiorari Reserve
Total General Fund	<u>\$ 1,180,766</u>	
Capital Projects Fund	<u>\$ 5,637,552</u>	Specific capital projects
Debt Service Fund	<u>\$ 1,553,528</u>	Debt
Trust and Agency	\$ 96,834	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>353,645</u>	Scholarships and Memorials
Total Fiduciary	<u>\$ 450,479</u>	

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transactions and balances at June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 4,647,034	\$ 3,338,131	\$ -	\$ 79,149
Special Aid Fund	848,657	4,261,042	79,149	-
School Lunch Fund	319,484	370,469	-	-
Debt Service Fund	2,539,457	418,642	-	-
Capital Projects Fund	<u>876,548</u>	<u>399,042</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>9,231,180</u>	<u>8,787,326</u>	<u>79,149</u>	<u>79,149</u>
Fiduciary Fund	<u>10,809</u>	<u>454,663</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,241,989</u>	<u>\$ 9,241,989</u>	<u>\$ 79,149</u>	<u>\$ 79,149</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Construction in progress	\$ 12,102,365	\$ 20,394,544	\$ -	\$ 32,496,909
Land	<u>724,073</u>	<u>-</u>	<u>-</u>	<u>724,073</u>
Total Non-depreciable Capital Assets	<u>12,826,438</u>	<u>20,394,544</u>	<u>-</u>	<u>33,220,982</u>
Capital assets that are depreciated:				
Buildings and improvements	135,898,964	-	-	135,898,964
Furniture and equipment	<u>3,369,586</u>	<u>317,292</u>	<u>157,886</u>	<u>3,528,992</u>
Total Depreciable Capital Assets	<u>139,268,550</u>	<u>317,292</u>	<u>157,886</u>	<u>139,427,956</u>
Less accumulated depreciation:				
Buildings and improvements	54,854,254	2,785,076	-	57,639,330
Furniture and equipment	<u>2,234,956</u>	<u>302,659</u>	<u>157,886</u>	<u>2,379,729</u>
Total Accumulated Depreciation	<u>57,089,210</u>	<u>3,087,735</u>	<u>157,886</u>	<u>60,019,059</u>
Total Depreciable Cost, Net	<u>\$ 95,005,778</u>	<u>\$ 17,624,101</u>	<u>\$ -</u>	<u>\$ 112,629,879</u>

The District's Meco Elementary building is not used as a school building starting in 2017 due to lack of enrollment. The financing arrangement on the building prevents the District from being able to sell the building until the corresponding debt is paid off. The building will be used by the P-Tech program for the 2019-2020 school year under a one year lease agreement with BOCES totaling approximately \$105,000.

The District also closed the McNabb building due to lack of enrollment. The District will be renting the building for the 2019-2020 school year to BOCES. The building will be used by BOCES, Headstart, and Whispering Pines for educational purposes under one year lease agreements totaling approximately \$150,000.

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". 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

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. 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. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the 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 New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. This is a cost-sharing multiple-employer retirement system. 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. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Employees' Retirement System

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 and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

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% 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2018-19	\$ 448,926	\$ 1,966,226
2017-18	469,360	1,776,804
2016-17	534,262	2,364,631

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

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 net 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 of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2018	June 30, 2017
Net pension asset/(liability)	\$(709,397)	\$2,151,086
District's portion of the Plan's total net pension asset/(liability)	0.0100%	0.1190%

Pension Expense (Credit)

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$464,631 for ERS and \$1,667,339 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 139,695	\$ 1,607,489	\$ 47,621	\$ 291,179
Changes of assumptions	178,314	7,519,457	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	182,071	2,387,870
Changes in proportion and differences between contributions and proportionate share of contributions	158,733	547,457	54,486	103,888
Contributions subsequent to the measurement date	<u>119,601</u>	<u>2,143,149</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 596,343</u>	<u>\$ 11,817,552</u>	<u>\$ 284,178</u>	<u>\$ 2,782,937</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2020 for ERS and June 30, 2019 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows and Inflows of Resources Related to Pensions

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 2,233,335
2020	175,800	1,541,100
2021	(100,656)	231,610
2022	9,134	1,536,032
2023	108,286	1,064,265
Thereafter	-	285,124

Actuarial Assumptions

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

	<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%	1.9%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.25%
Cost of living adjustments	1.3% annually	1.5% annually

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

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

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

<u>ERS</u>	<u>Target Allocation</u> <u>2019</u>	<u>Long-term expected</u> <u>real rate of return*</u> <u>2019</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies (1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2019.

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

<u>TRS</u>	<u>Target Allocation</u> <u>2018</u>	<u>Long-term expected</u> <u>real rate of return*</u> <u>2018</u>
Asset Class:		
Domestic equities	33%	5.8%
Global equities	4	6.7
International equities	16	7.3
Real estate	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global fixed income securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	<u>1</u>	0.3
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.25% for 2018.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount rate

The discount rate used to calculate the total pension liability/(asset) 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

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

The following presents the District's proportionate share of the net pension liability/(asset) as of June 30, 2019 calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6% for ERS and 6.25% for TRS) or 1-percentage-point higher (8% for ERS and 8.25% for TRS) than the current rate:

<u>ERS</u>	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 3,101,599	\$ 709,397	\$ (1,300,221)
<u>TRS</u>	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$14,778,313	\$ (2,151,086)	\$(16,333,218)

Changes in assumptions

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

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Collective pension expense

Collective pension expenses includes certain current period changes in the collective net pension liability/(asset), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2019 is \$487,029 for ERS and \$1,746,680 for TRS.

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 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 \$119,601.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$2,260,534.

Other Benefits

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

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Transactions in short-term debt are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN Maturing 10/19/2018 at 2.25%	\$13,500,000	\$ -	\$13,500,000	\$ -
BAN Maturing 10/18/2019 at 3.00%	\$ -	\$36,145,000	\$ -	\$36,145,000

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

Interest paid	\$ 302,906
Less interest accrued in the prior year	189,844
Plus interest accrued in the current year	<u>677,719</u>
Total Expense	<u>\$ 790,781</u>

2. Long-Term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

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

Interest paid	\$ 1,431,776
Less interest accrued in the prior year	116,605
Plus current year accrued interest	<u>101,411</u>
Total Expense	<u>\$ 1,416,582</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

Long-Term Obligations

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

The District has authorized to issue \$37,800,000 of which \$1,655,000 remains unissued and \$36,145,000 was issued as a BAN.

b. Other Long-Term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Other Post-Employment Benefits - Represents the net liability for other post-employment benefits calculated in accordance with GASB 75 (See Note 6).

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2019, are summarized as follows:

<u>Fund/Type</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Government activities:				
Bonds	\$ 33,470,000	\$ -	\$ 5,805,000	\$ 27,665,000
Other Post Employment Benefits	\$112,214,272	\$ 14,472,376	\$ 3,451,912	\$123,234,736
Compensated Absences	1,224,788	118,659	-	1,343,447
Pension Liability	336,075	373,322	-	709,397
Total long-term liabilities	<u>\$113,775,135</u>	<u>\$ 14,964,357</u>	<u>\$ 3,451,912</u>	<u>\$125,287,580</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above liabilities are liquidated by the general fund.

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds				
Advanced Refunding	2012	2024	3-5%	\$ 2,630,000
Advanced Refunding	2016	2024	2-5%	3,590,000
Renovations	2005	2020	3.5-4%	145,000
Renovations	2007	2023	3-5%	8,040,000
Renovations	2007	2035	3-5%	5,090,000
Renovations	2007	2035	3-5%	5,580,000
Renovations	2012	2025	1.4-4.75%	2,590,000
				<u>\$ 27,665,000</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$19,280,000 of bonds outstanding are considered defeased.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,095,000	\$ 1,274,963	\$ 7,369,963
2021	6,220,000	989,463	7,209,463
2022	3,995,000	685,850	4,680,850
2023	4,200,000	485,975	4,685,975
2024	2,130,000	332,300	2,462,300
2025 & thereafter	<u>5,025,000</u>	<u>1,326,488</u>	<u>6,351,488</u>
Total	<u>\$ 27,665,000</u>	<u>\$ 5,095,039</u>	<u>\$ 32,760,039</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

5. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 5% of the average full valuation of taxable real estate within such District. At June 30, 2019 the District has exhausted 197% of its constitutional debt limit. The District received prior approval to exceed the limit from the New York State Office of the State Comptroller and the New York State Education Department.

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds, if any, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

General Information

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

General Information

The District participates in a risk sharing pool, the Fulmont Worker's Compensation Plan, to insure workers' compensation claims. This public entity risk pool was created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims. Workers' compensation benefits are provided by the plan and administered under contract with the plan's consultant.

The plan also has specific excess workers' compensation and employers' liability indemnity coverage. Under the policies, the limit for workers' compensation coverage is \$5,000,000, employers' liability \$2,000,000 per occurrence, and specific excess coverage provided for paid workers' compensation claims in excess of \$300,000 per individual or in excess of \$90,000 per occurrence with a twelve-month period beginning on the date of anniversary of the occurrence.

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The District administers the post-employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and prescription drug benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) age 55 with 5 years of services and 3) enrolled in District provided health care at time of retirement. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Funding Policy

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than “pay as you go”.

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefit payments	370
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>387</u>
Total plan members	<u>757</u>

Net OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2019; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumption and Other Inputs

The total OPEB liability at June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.72% - 10%
Discount rate	3.51%
Healthcare cost trend rates	
Pre-Medicare	5.50% for 2019 decreasing to an ultimate rate of 3.84% by 2075.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Assumption and Other Inputs

Mortality rates were based on April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

Retirement participation rate assumed that employees may retire at age 55 but may elect to retire at different ages. The retirement rates used were developed by the Office of the Actuary of TRS and ERS. It is assumed 100% of retirees will participate and 45% of male and 40% of females will elect spousal coverage.

Termination rates are based on a blend of assumptions for all employees under ERS and female employees under TRS.

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

Changes in the Net OPEB Liability

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

	Total OPEB Liability <u>[a]</u>	Plan Fiduciary Net Position <u>[b]</u>	Net OPEB Liability <u>[a] - [b]</u>
Balances at June 30, 2018	<u>\$ 112,214,272</u>	<u>\$ -</u>	<u>\$ 112,214,272</u>
Changes for the year:			
Service cost	2,853,897	-	2,853,897
Interest	4,386,978	-	4,386,978
Difference between expected and actual experience	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs	7,231,501	-	7,231,501
Benefit payments	<u>(3,451,912)</u>	<u>-</u>	<u>(3,451,912)</u>
Net changes	<u>11,020,464</u>	<u>-</u>	<u>11,020,464</u>
Balances, June 30, 2019	<u><u>\$ 123,234,736</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 123,234,736</u></u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease <u>(2.51%)</u>	Discount Rate <u>(3.51%)</u>	1% Increase <u>(4.51%)</u>
Total OPEB Liability	\$147,338,079	\$123,234,736	\$104,307,538

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

The following presents the District's total OPEB liability, 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 (4.50% decreasing to 2.84%) or 1 percentage point higher (6.5% decreasing to 4.84%) than the current healthcare cost trend rate:

	1% Decrease (4.50% Decreasing to <u>2.84%</u>)	Healthcare Cost Trend Rate (5.50% Decreasing to <u>3.84%</u>)	1% Increase (6.50% Decreasing to <u>4.84%</u>)
Total OPEB Liability	\$101,134,673	\$123,234,736	\$152,231,998

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$7,507,089. 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	\$ -	\$ -
Amounts recognized in OPEB expense	-	-
Changes of assumptions	6,082,407	(3,790,399)
Contributions subsequent to the measurement period	-	-
Total	<u>\$ 6,082,407</u>	<u>\$ (3,790,399)</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

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

Year Ending <u>June 30,</u>		
2020	\$	266,214
2021		266,214
2022		266,214
2023		266,214
2024		890,215
Thereafter		336,937

7. TAX ABATEMENTS

The County of Fulton enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. No abatements were entered during the year ended June 30, 2019.

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 8, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2019, have been incorporated into these statements herein.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 14,722,462	\$ 14,722,462	\$ 12,136,527	\$ (2,585,935)
Real Property Tax Items	575,000	575,000	3,592,063	3,017,063
Charges for Services	67,500	67,500	172,497	104,997
Use of Money and Property	270,000	270,000	608,546	338,546
Sale of Property and Compensation for Loss	-	-	72,826	72,826
Miscellaneous	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,156,991</u>	<u>906,991</u>
Total Local Sources	<u>16,884,962</u>	<u>16,884,962</u>	<u>18,739,450</u>	<u>1,854,488</u>
State Sources	45,060,003	45,060,003	43,655,968	(1,404,035)
Federal Sources	150,000	150,000	218,503	68,503
Other Sources				
Interfund Transfers	<u>1,129,767</u>	<u>1,129,767</u>	<u>-</u>	<u>(1,129,767)</u>
Total Revenue and Other Sources	63,224,732	63,224,732	62,613,921	<u>\$ (610,811)</u>
Appropriated Fund Equity				
Prior Year's Encumbrances	667,015	667,015	-	
Appropriated Fund Equity	<u>1,269,402</u>	<u>1,269,402</u>	<u>-</u>	
Total Appropriated Fund Equity	<u>1,936,417</u>	<u>1,936,417</u>	<u>-</u>	
Total Revenues, Other Sources and Appropriated Fund Equity	<u>\$ 65,161,149</u>	<u>\$ 65,161,149</u>	<u>\$ 62,613,921</u>	

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
Expenditures					
General Support					
Board of Education	\$ 35,285	\$ 31,977	\$ 27,825	\$ -	\$ 4,152
Central Administration	268,000	269,697	257,707	-	11,990
Finance	496,349	443,321	390,987	-	52,334
Staff	188,306	195,514	178,793	1,503	15,218
Central Services	4,787,910	4,880,387	4,449,879	51,634	378,874
Special Items	<u>942,038</u>	<u>942,063</u>	<u>906,345</u>	<u>-</u>	<u>35,718</u>
Total General Support	<u>6,717,888</u>	<u>6,762,959</u>	<u>6,211,536</u>	<u>53,137</u>	<u>498,286</u>
Instruction					
Instruction, Administration & Improvement	1,686,354	1,718,377	1,562,081	968	155,328
Teaching - Regular School	16,301,774	16,283,402	14,450,315	369,158	1,463,929
Programs for Students with Disabilities	10,781,470	10,490,178	9,396,369	136,419	957,390
Occupational Education	871,440	871,440	798,267	-	73,173
Teaching - Special Schools	26,586	26,586	18,205	-	8,381
Instructional Media	863,193	1,010,323	730,006	162,068	118,249
Pupil Services	<u>1,945,932</u>	<u>1,993,794</u>	<u>1,894,513</u>	<u>3,331</u>	<u>95,950</u>
Total Instruction	<u>32,476,749</u>	<u>32,394,100</u>	<u>28,849,756</u>	<u>671,944</u>	<u>2,872,400</u>
Pupil Transportation	3,059,808	3,076,505	2,429,075	-	647,430
Employee Benefits	<u>15,091,346</u>	<u>15,023,482</u>	<u>13,529,750</u>	<u>1</u>	<u>1,493,731</u>
Debt Service					
Debt Service Principal	5,960,000	5,960,000	5,960,000	-	-
Debt Service Interest	<u>1,855,358</u>	<u>1,855,358</u>	<u>1,734,682</u>	<u>-</u>	<u>120,676</u>
Total Other	<u>25,966,512</u>	<u>25,915,345</u>	<u>23,653,507</u>	<u>1</u>	<u>2,261,837</u>
Total Expenditures	65,161,149	65,072,404	58,714,799	725,082	5,632,523
Other Uses					
Interfund Transfer	<u>-</u>	<u>88,745</u>	<u>79,149</u>	<u>-</u>	<u>9,596</u>
Total Expenditures and Other Uses	<u>\$ 65,161,149</u>	<u>\$ 65,161,149</u>	<u>58,793,948</u>	<u>\$ 725,082</u>	<u>\$ 5,642,119</u>
Net Change in Fund Equity			\$ 3,819,973		
Fund equity - beginning			<u>9,845,643</u>		
Fund equity - ending			<u>\$ 13,665,616</u>		

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Fiscal Year Ending *	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	6/30/2019	6/30/2018
Service cost	\$ 2,853,897	\$ 3,007,205
Interest	4,386,978	4,081,808
Changes in benefit terms	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	-	-
Changes in assumptions and other inputs	7,231,501	(5,556,159)
Benefit payments	<u>(3,451,912)</u>	<u>(3,335,571)</u>
Net Change in Total OPEB Liability	11,020,464	(1,802,717)
Total OPEB Liability - beginning	<u>112,214,272</u>	<u>114,016,989</u>
Total OPEB Liability - ending	<u>\$ 123,234,736</u>	<u>\$ 112,214,272</u>
Covered-employee payroll	\$ 25,080,112	\$ 19,820,208
Total OPEB Liability as a percentage of covered-employee payroll	491.36%	566.16%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of the measurement date.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2019**

	ERS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0100%	0.0104%	0.0110%	0.0114%	0.0133%
Proportionate share of the net pension liability (asset)	\$ 709,397	\$ 336,075	\$ 1,035,698	\$ 1,833,295	\$ 447,616
Covered-employee payroll	\$ 3,697,035	\$ 3,375,148	\$ 3,347,129	\$ 3,471,677	\$ 3,527,064
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	19%	10%	31%	53%	13%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%
	TRS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.1190%	0.1240%	0.1281%	0.1289%	0.1242%
Proportionate share of the net pension liability (asset)	\$ (2,151,086)	\$ (942,741)	\$ 1,372,152	\$ (13,393,243)	\$ (13,839,896)
Covered-employee payroll	\$ 20,233,575	\$ 19,438,143	\$ 19,662,242	\$ 19,823,822	\$ 18,399,756
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-11%	-5%	7%	-68%	-75%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 477,397	\$ 492,716	\$ 534,262	\$ 449,056	\$ 536,690
Contributions in relation to the contractually required contribution	<u>(477,397)</u>	<u>(492,716)</u>	<u>(534,262)</u>	<u>(449,056)</u>	<u>(536,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,697,035	\$ 3,375,148	\$ 3,347,129	\$ 3,471,677	\$ 3,527,064
Contributions as a percentage of covered-employee payroll	12.91%	14.60%	15.96%	12.93%	15.22%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,898,949	\$ 2,303,503	\$ 2,621,402	\$ 3,395,428	\$ 3,297,195
Contributions in relation to the contractually required contribution	<u>(1,898,949)</u>	<u>(2,303,503)</u>	<u>(2,621,402)</u>	<u>(3,395,428)</u>	<u>(3,297,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 20,233,575	\$ 19,438,143	\$ 19,662,242	\$ 19,823,822	\$ 18,399,756
Contributions as a percentage of covered-employee payroll	9.39%	11.85%	13.33%	17.13%	17.92%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	64,494,134
Add: Prior year's encumbrances		667,015
Original Budget		65,161,149
Additions:		
Budget Amendments		-
Final Budget	\$	65,161,149

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 [subsequent year's] voter-approved expenditure budget	\$	67,047,457
Maximum allowed (4% of 2019-20 [subsequent year's] budget)		2,681,898

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law*:

Unrestricted Fund Equity:		
Committed Fund Equity	\$	-
Assigned Fund Equity		1,367,173
Unassigned Fund Equity		11,117,677
Total Unrestricted Fund Equity		12,484,850

Less:		
Appropriated Fund Equity		642,091
Encumbrances included in Committed and Assigned Fund Equity		725,082
Total Adjustments		1,367,173

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	11,117,677
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Actual percentage		16.58%
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* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Project	Expenditures and Transfers to Date				Methods of Financing					Transfers to Debt Service Fund	Fund Balance (Deficit) at June 30, 2019
	Authori- zation	Prior Years	Current Year	Totals	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Totals		
Central Office Relocation - Project #0019-003	\$ 1,820,000	\$ 1,820,000	\$ -	\$ 1,820,000	\$ -	\$ 1,583,400	\$ -	\$ 244,308	\$ 1,827,708	\$ -	\$ 7,708
District Wide Renovations - Project #'s 0004-007, 0007-006, 0009-007, 0010-013, 0014-006, 7027-001, 0010-014, 7020-002, 0014-007, 7028-001, 0010-015, 5025-001, 799-001, 0009-008, 0010-016, 0015-009, 0020-002, 0015-008, 0019-005, 0004-008, 0007-007	85,195,800	85,951,023	-	85,951,023	(755,223)	82,874,606	2,415,594	1,036,574	86,326,774	-	375,751
Building Renovations	37,800,000	11,435,630	20,068,504	31,504,134	6,295,866	573,642	-	-	573,642	-	(30,930,492)
Totals	\$ 124,815,800	\$ 99,206,653	\$ 20,068,504	\$ 119,275,157	\$ 5,540,643	\$ 85,031,648	\$ 2,415,594	\$ 1,280,882	\$ 88,728,124	\$ -	\$ (30,547,033)

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital Assets, Net		\$	112,629,879
Add:			
Capital projects fund - cash and investments	\$	<u>5,637,552</u>	5,637,552
Deduct:			
Bond anticipation notes payable	\$	(36,145,000)	
Short-term portion of bonds payable		(6,095,000)	
Long-term portion of bonds payable		<u>(21,570,000)</u>	<u>(63,810,000)</u>
Net Investment in Capital Assets			\$ <u><u>54,457,431</u></u>

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

To the President and Members
of the Board of Education of
Gloversville Enlarged School District

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 and each major fund of the Gloversville Enlarged 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, and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

District's Response to the Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Marvin and Company, P.C.

Latham, NY
October 8, 2019

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

To the President and Members
of the Board of Education of
Gloversville Enlarged School District

Report on Compliance for Each Major Federal Program

We have audited the Gloversville Enlarged School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Gloversville Enlarged 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 Gloversville Enlarged School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004, which we consider to be significant deficiencies.

Gloversville Enlarged School District's response to internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Marvin and Company, P.C.

Latham, NY

October 8, 2019

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Pass- Through To Subrecipient	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Indirect Awards - Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-18-0268	\$ -	\$ 277
Special Education - Grants to States	84.027	0032-19-0268	-	713,183
Special Education Preschool Grants	84.173	0033-18-0268	-	53
Special Education Preschool Grants	84.173	0033-19-0268	-	<u>41,656</u>
Total Special Education Cluster				755,169
Title I Grants to Local Educational Agencies- A&D	84.010	0021-18-0960	-	170,190
Title I Grants to Local Educational Agencies- A&D	84.010	0021-19-0960	-	1,347,170
Title I Part D	84.010	0016-19-0960	-	1,330
Title I Grants to Local Educational Agencies- Sch Imp	84.010	0011-18-2066	-	240,634
Title I Grants to Local Educational Agencies- Sch Imp	84.010	0011-19-2076	-	20,065
Title IV - SSAE Allocation	84.424	204-19-0960	-	22,981
Title VI B Rural Education	84.358	006-18-0960	-	21,441
Title VI B Rural Education	84.358	006-19-0960	-	16,364
Improving Teacher Quality State Grants	84.367	147-18-0960	-	13,302
Improving Teacher Quality State Grants	84.367	147-19-0960	-	<u>211,676</u>
Total U.S. Department of Education				<u>2,820,322</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through New York State Division of Homeland Security and Emergency Services:				
Disaster Grant - Public Assistance for Presidentially Declared Disaster	97.036	035-02FE1-00	-	<u>948</u>
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
National School Lunch Program	10.555	Not Applicable	-	1,142,065
School Breakfast Program	10.553	Not Applicable	-	341,997
Summer Food Service Program	10.559	Not Applicable	-	5,168
Food Distribution	10.555	Not Applicable	-	<u>107,780</u>
Total Child Nutrition Cluster				<u>1,597,010</u>
Total U.S. Department of Agriculture				<u>1,597,010</u>
Total Expenditures of Federal Awards				<u>\$ 4,418,280</u>

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) 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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. 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 presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Gloversville Enlarged School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$107,780.

5. INDIRECT COST RATE

The Gloversville Enlarged School District did not elect to use the 10% de minimus cost rate.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

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

Auditee qualified as low-risk auditee? yes X no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2019-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 19/20 general fund budget.

Criteria: NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget.

Effect of Condition: The District was not in compliance with Real Property Tax Law.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II: Financial Statement Findings

2019-001 Compliance with New York State Real Property Tax Law

Context: As part of audit procedures the compliance the NYS Real Property Tax Law 1318 limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District has established reserves and will fund these in the future to comply with the Real Property Tax Law. Additionally, a five-year financial plan will be developed to assist with future budgeting.

Material Weakness

2019-002 Adjustments

Condition: Several adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of expenditures, revenues, interfund revenues and expenditures, due to/from other funds, refundable advances, debt service expenditures, fund balance, reserves, accounts payable and accounts receivable.

Context: The adjustments were identified as part of our auditing procedures.

Effect: As it relates to the adjusting journal entries proposed as part of the audit process the following accounts were over or understated by the respective approximate amounts: In the general fund, revenues understated by \$344,000, expenditures overstated by \$142,000, due from understated \$455,000, due to understated by \$155,000, and reserves overstated by \$228,000. In the special aid fund revenues overstated by \$164,000, expenditures overstated by \$175,000, accounts payable overstated by \$173,000, deferred revenues overstated by \$131,000 and accounts receivable overstated by \$193,000. In the school lunch fund the reserve for inventory was overstated by \$40,000. In the capital fund, revenues and due from understated by \$435,000, expenditures and accounts payable overstated by \$1,293,338. In the debt service fund revenues overstated and due to understated by \$280,000. In the trust and agency fund employee withholdings overstated and due to understated by \$455,000.

Cause: The adjusting journal entries identified during the audit appear to be caused by transactions being inaccurately recorded during the year.

Recommendation: As it relates to preventing future audit adjustments, general ledger accounts should be reconciled by management throughout the year or at a minimum at the end of the year to ensure the balances accurately reflect the activity that occurred.

Views of Responsible Officials and Planned Corrective Actions: Cathy Meher, the district treasurer, will review this with the responsible staff and will be more cognizant of the accounting procedures and review and ensure that accounts are accurately stated. This will begin immediately.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiencies

2019-003 Title I – Payroll Certifications

Information on Federal Program: Title Part I, Grants to Local Educational Agencies (LEAs), CFDA No. 84.010

Criteria: Compliance under Title 2: Grants and Agreements Part 200.430 Compensation-personal services under compliance requirement Allowable Costs/Cost Principles 2. Documentation of Employee Time and Effort.

Condition: During our testing of payroll expenditures charged to this program it was noted that employees are being charged to this grant and the time and effort reports (payroll certifications) being signed by those individuals acknowledging and noting that their salaries are being allocated to the Federal Program were not able to be located in two instances.

Questioned Cost: None.

Context: A selection of the employees of the District charged to the Federal Program were tested for the wages charged, educational certifications and payroll certifications. Each employee charged to the program was tested for at least one period during the year.

Effect: Payroll certifications were not able to be located for three individuals for the period in which they were tested for being charged to the program.

Cause: The District did not have adequate review that the certifications were being completed.

Perspective Information: One certification for three of fifty-one employees paid in full or part by Title I were not completed. All teachers tested, did however, maintain the proper educational certifications.

Repeat Finding: No

Recommendation: We recommend that policies and procedures be implemented for those individuals whose time and effort of providing special education services be acknowledged by the individual employees whose time is ultimately being paid by the Federal Program.

Views of the Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will evaluate the procedures around obtaining the signed certifications to ensure they are completed.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiencies

2019-004 Title I – Allowable Costs

Information on Federal Program: Title Part I, Grants to Local Educational Agencies (LEAs), CFDA No. 84.010

Criteria: Compliance under Title 2: Grants and Agreements Part 200.430 Compensation-personal services under (a) General and (i) Allowable Activities, charges to Federal Awards may include reasonable amounts for activities contributing and directly related to work under an agreement.

Condition: During our testing of payroll expenditures charged to this program it was noted that one employee out of fifty-one that were charged to the Federal Program was not performing services directly related to the program.

Questioned Cost: The portion of the employee's earnings charged to the Federal Program was \$4,295. The District has not claimed these costs, but anticipates claiming other allowable costs before the end of the program period.

Context: A selection of the hourly and salaried employees of the District charged to the Federal Program were tested for wages charged. All employees with wages charged to the program was tested for at least one period during the year.

Effect: Wages were charged to the program for an individual that was not providing services in accordance with the program.

Cause: The District did not have adequate review of employees being charged to the program.

Perspective Information: One employee out of fifty-one employees paid in full or part by Title I was incorrectly charged to the program.

Repeat Finding: No

Recommendation: We recommend that policies and procedures be implemented to periodically review the employees being charged to Federal Programs.

Views of the Responsible Officials and Planned Corrective Actions: The district treasurer will meet with the grants coordinator quarterly to review those employees who have all or part of their salary charged to federal funds to ensure they are providing services in accordance with the program.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary Schedule of Prior Audit Findings

2018-001 Compliance with New York State Real Property Tax Law

Status: This comment is repeated as 2019-001

2018-002 Adjustments

Status: This comment is repeated as 2019-002

APPENDIX C
Form of Legal Opinion

FORM OF BOND COUNSEL OPINION

February 13, 2020

Board of Education of the
City School District of the City of Gloversville in the
County of Fulton, New York

Re: City School District of the City of Gloversville
\$1,500,000 Bond Anticipation Notes, 2020

Dear Board Members:

We have examined a record of proceedings relating to the issuance of \$1,500,000 aggregate principal amount of Bond Anticipation Notes, 2020 (the “Note”) of the City School District of the City of Gloversville (the “Issuer”), a school district of the State of New York, situate in the County of Fulton. The Note is dated February 13, 2020, matures June 25, 2020, bears interest at a rate of [__]% per annum payable at maturity, is subject to redemption prior to maturity and is 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 \$37,800,000 and a certificate of the President of the Board of Education authorizing the issuance of the Note.

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 Note is a valid and binding general obligation 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 Note. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Note to the extent the necessary funds are not provided from other sources.
3. Interest on the Note is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. 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 Note 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 Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. We express no opinion regarding other federal tax consequences arising with respect to the Note.

4. In our opinion, interest on the Note 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 Note. Owners of the Note should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Note, 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 Note and the enforceability of the Note 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 Note.

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 Securities Exchange Commission (the "Commission" or "SEC") 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 MSRB 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.