

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2020**

**NEW ISSUE**

**BOND ANTICIPATION NOTES**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.*

The Notes will **NOT** be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

**\$10,000,000**  
**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT**  
**NIAGARA COUNTY, NEW YORK**

**\$10,000,000 Bond Anticipation Notes - 2020**

**Dated: September 2, 2020**

**Due: June 29, 2021**

The Notes are general obligations of the Niagara Wheatfield Central School District, Niagara County, New York, all the taxable 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". The Notes will be issued without the option of prepayment, with interest payable at maturity.

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

If the Notes are issued in registered form registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an unqualified legal opinion as to the validity of the Notes of Hawkins Delafield and Wood LLP, New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon, with the Purchaser(s), on or about September 2, 2020.

**Facsimile or telephone bids will be received THURSDAY, August 20, 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: August 11, 2020

**NIAGARA-WHEATFIELD CENTRAL SCHOOL DISTRICT  
NIAGARA COUNTY, NEW YORK**

School District Officials

**2020-21 BOARD OF EDUCATION**

Steven Sabo - President  
Richard Sirianni - Vice President

John Forcucci  
Robert McDermott  
Jason Myers  
Michael Lee  
Julie Fago



Daniel G. Ljiljanich - Superintendent of Schools  
Allison Davis – Business Administrator  
Majorie Strobel – School District Treasurer  
Maureen Mack – District Clerk



**School District Attorney**

Harris Beach

**BOND COUNSEL**

**Hawkins Delafield and Wood 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:**



**R. G. Timbs, Inc**  
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**of the**  
**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT**  
**NIAGARA COUNTY, NEW YORK**  
**Relating To**  
**\$10,000,000 Bond Anticipation Notes - 2020**

This Official Statement, which includes the cover page, has been prepared by the Niagara Wheatfield Central School District, Niagara County, New York (the “District”, “County” and “State,” respectively) in connection with the sale by the School District of \$10,000,000 Bond Anticipation Notes - 2020 (the “Notes”).

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

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

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

### **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 September 2, 2020 and mature, without option of prior redemption, June 29, 2021. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity. Paying agent fees, if any will be paid by the purchaser(s).

The Notes will be issued as registered notes and, at the option of the purchaser, may be registered to the Depository Trust Company (“DTC”) or may be registered in the name of the purchaser.

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to the respective successful bidder at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the

District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

### **Nature of the Obligation**

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

The Notes are 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. For the payment of such principal and interest the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, without limitation as to rate or amount.

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 the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefore. However, Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. As the Notes are being issued to finance voter approved capital expenditures, the Notes qualify for such exclusion to the annual tax levy limitation. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*" herein.)

### **Remedies Upon Default**

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owners of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency,

reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "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. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), 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 the 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 or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the 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.

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

## **Section 99-B of The State Finance Law**

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, 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 or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note 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 or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes 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 and notes 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 the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes 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 or notes pursuant to said section of the SFL.

### **No Past Due Debt**

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

### **Bankruptcy**

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes 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 become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

## **Market Matters Affecting Financings of The State and Municipalities of The State**

The School District's credit rating could be affected by circumstances beyond the School District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of School District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the School District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the School District to arrange for additional borrowing(s) as well as 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 appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak 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. (See "State Aid" and "Events Affecting New York School Districts" herein). Should the District fail to receive State aid expected from the State in the amounts or 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.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" and "Events Affecting New York School Districts" herein).



Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see “Tax Matters” herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See “The Tax Levy Limit Law” herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the School District could impair the financial condition of such entities, including the School District and the ability of such entities, including the School District to pay debt service on the Notes.

**Federal Aid** – The District receives a significant amount of its operating revenue in the form of Federal impact aid based upon the impact of thousands of acres of land owned by the U.S. Military Academy, which is situated within the boundaries of the District. Property owned by the Academy is exempt from taxation and accounts for approximately 70% of the District’s total assessed valuation or total acreage of the District.

Impact Aid is payable under Section 8002 of ESEA pursuant to appropriations provided for in the federal budget. Funding levels may be changed by the U.S Congress which, in fact, imposed a new cap formula for this aid in 1997. A failure by the U.S. Department of Education (“USED”) to apply the new cap in the years 2003, 2004 and 2005 lead to overpayments of Impact Aid. The District received notice from USED that excess amounts were to be repaid, however, the District requested that the overpayments be forgiven to which request USED agreed to in 2006. Impact Aid is not guaranteed and the U.S. Congress could approve additional changes to the program resulting in lost revenue to the District. In the event Impact Aid to the District is reduced, educational programs and/or property taxes could be negatively affected.

## **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 and the Local Finance Law, and pursuant to a bond resolution dated June 5, 2019, authorizing the issuance of obligations of the District in the amount of \$30,000,000 authorizing the construction of improvements and alterations to various Districts Buildings and sites.

The proceeds of the Notes will provide \$10,000,000 in new monies for the aforementioned purpose.

## **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for those Notes issued as book-entry-only, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

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

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

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

*Source: The Depository Trust Company*

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

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

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

## **The School District**

### **General Information**

The District comprises about 115 square miles in southwestern Niagara County, adjacent to the City of Niagara Falls on the west and south and the City of North Tonawanda and the Niagara River on the south. Included within its boundaries are major portions of the towns of Niagara and Wheatfield and small portions of the Towns of Lewiston and Cambria.

The District is residential and industrial in character but has some open farmland. Many of the residents are employed in the cities of Niagara Falls, Lockport and Buffalo. A network of highways provide transportation means for local motor freight, and airport facilities are available at the Buffalo Niagara International Airport and the Niagara Falls International Airport which includes the Niagara Falls Air Force Base.

Hospital, banking, recreational and utility facilities are available to the residents of the District, either within the District or in nearby areas. Public safety is provided by the State Police and the Niagara County Sheriff's Department. Fire protection is provided by volunteer fire companies.

### **District Population**

The 2017 population of the School District is estimated to be 26,892 (Source: 2018 U.S. Census Bureau estimate)

## Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2018</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2018</u>
Towns Of:						
Niagara	17,500	23,156	26,650	43,689	51,598	53,131
Wheatfield	22,184	28,328	37,849	61,315	82,332	106,250
Lewiston	23,275	29,053	35,861	58,620	72,721	93,432
Cambria	20,397	26,540	35,197	54,583	75,633	92,102
County Of:						
Niagara	19,219	24,224	29,824	47,817	59,471	71,366
State Of:						
New York	23,389	30,948	37,470	51,691	67,405	80,419

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2013-2018 American Survey data.

## District Facilities

<u>Name</u>	<u>Grades</u>	<u>Year Built</u>	<u>Current Maximum Capacity</u>	<u>Date of Last Addition or Alteration</u>
Tuscarora Indian Elementary	K-6	1952	129	2018
Colonial Village Elementary	K-5	1949	800	2019
Errick Road Elementary	K-5	1953	825	2019
West Street Elementary	K-5	1997	800	2019
Edward Town Middle School	6-8	1964	1,600	2019
Niagara Wheatfield Senior High	9-12	1958	1,600	2019

Source: District Officials

## District Employees

The District employs a total of 541 full-time and 44 part-time employees with representation by the various bargaining units listed below

<u>Bargaining Unit</u>	<u>Employees</u>	<u>Expiration Date</u>
Niagara Wheatfield Teachers' Association	310	6/30/2022
Niagara Wheatfield School Related Personnel Assoc.	236	6/30/2021
Niagara Wheatfield Administrator Association	15	6/30/2021
Exempt/Confidential/Managerial	24	N/A

Source: District Officials

## Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2015-16	3,653	2020-21	3,381
2016-17	3,597	2021-22	3,331
2017-18	3,518	2022-23	3,281
2018-19	3,520	2023-24	3,231
2019-20	3,431	2024-25	3,181

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	\$ 1,412,637	\$ 3,887,673
2015-2016	1,293,863	3,027,024
2016-2017	1,191,873	2,760,548
2017-2018	1,088,206	2,435,116
2018-2019	1,114,389	2,723,770
2019-2020 (Budgeted)	1,244,771	2,227,230
2020-2021 (Budgeted)	1,291,271	2,548,638

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 offered an early retirement incentive program for the Teachers and SRP union member for the 2019-20 fiscal year.

**Historical Trends and Contribution Rates** – Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined

to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2016 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 will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that

the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District did establish a TRS Reserve Fund on June 30, 2019 and funded in the amount of \$526,000.

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** - refers to "other post-employment benefits," meaning other than pension benefits. OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

**GASB 75** - requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. However, GASB 75 also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity and requires: (a) explanations of how and why the OPEB liability changed from year to year (b) amortization and reporting of deferred inflows and outflows due to assumption changes, (c) use of a discount rate that takes into account resources of an OPEB plan and how they will be invested to maximize coverage of the liability (d) a single actual cost method and (e) immediate recognition of OPEB expense and effects of changes to benefit terms.

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

Based on the most recent actuarial valuation dated July 1, 2018 and financial data as of June 30, 2019, the School District's beginning year total OPEB liability was \$8,336,694, the net change for the year was (\$1,406,310) resulting in a total OPEB liability of \$6,930,384 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.

## **COVID—19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, has been declared a pandemic by the World Health Organization on March 11, 2020. The outbreak of the disease has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The School District has been communicating with the New York State Education Department and with local and State level department of health agencies. The School District has been following all relevant guidance as it has been released by State and federal agencies. The School District closed effective March 16, 2020 through the remainder of the academic year. Pursuant to an Executive Order of the Governor, the school district annual board of education elections and budget vote originally scheduled for May 19, 2020 was postponed until June 9, 2020. The degree of the impact of COVID -19 on the School District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. At this time the District has experienced a significant impact to certain expenses, such as increased cost in worker's compensation, but has realized savings in other areas due to the closure of schools enabling funding of those unexpected expenditures. The State has publicly announced that COVID-19 will have a significant negative impact on the State's revenues and 2020-21 budget. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State aid paid to school districts, including the School District. While the District has not experienced a delay or reduction in State aid payments to date, any delay or reduction to such aid would have a negative impact on the School District's finances and operations. In addition to State Aid the District receives Tuscarora School reimbursement which is also received from the State. The District is currently entitled to three years worth of reimbursement. If this reimbursement is delayed the District intends to issue a RAN until such funds are received (see "Cash Flow Borrowings" herein).

## Major Employers For Buffalo and Western New York

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
State of New York	Government	23,800
Federal Executive Board	Government	14,680
Kaleida Health	Health Care	9,427
Catholic Health	Health Care	7,268
Buffalo City School District	Education	7,115
University at Buffalo	Education	7,071
M&T Bank	Banking	7,013
Erie County	Government	5,000
Wegmans Food Markets Inc	Retail Grocery	4,989
Tops Friendly Markets	Retail Grocery	4,795
Erie County Medical Center Corp	Health Care	3,450
Roswell Park Comprehensive Cancer Center	Health Care	3,239
Geico	Insurance	3,200
Seneca Gaming Corp	Entertainment	3,032
HSBC Bank USA NA	Banking	3,000
Moog Inc.	Manufacturing	3,000
People Inc.	Human Services	2,995
City of Buffalo	Government	2,727
Niagara Falls Air Force Reserve Station	Government	2,600
Delaware North	Hospitality Management	1,908

Source: Buffalo Business First, July 31, 2018

## 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 Niagara 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>County Unemployment Rate</u>	<u>New York State Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2015	6.2%	5.3%	5.3%
2016	5.8%	4.9%	4.9%
2017	6.2%	4.7%	4.4%
2018	5.2%	4.1%	3.9%
2019	5.0%	4.0%	3.7%

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

	<u>2019-20 Monthly Figures</u>											
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Niagara County	4.2%	4.4%	4.7%	5.6%	6.0%	5.8%	5.9%	21.9%	15.8%	14.6%	N/A	N/A
New York State	3.6%	3.7%	3.6%	3.7%	4.1%	3.9%	4.2%	15.1%	14.2%	15.6%	N/A	N/A

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

## **Investment Policy**

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the District is generally permitted to deposit moneys in banks and trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those bonds issued by the District; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments and investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

## **Form of School Government**

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education, which consists of seven members including the President and Vice President. Board members are elected for overlapping terms of three years such that as nearly as possible an equal number of members are elected to the Board on the third Tuesday of May each year. The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by such Board, include the Superintendent of Schools and School Business Administrator.

## 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 547 to 212. The School District's 2018-19 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 692 to 219. The School District's 2019-20 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2020-21 fiscal year was adopted by the qualified voters on June 16, 2020 by a vote of 3213 to 1397. The School District's 2020-21 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The State's 2018-19 Enacted Budget includes a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget ("DOB") in consultation with SED. In 2019-20, this requirement will expand to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district's school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district's State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to "cure" the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief

financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this newly enacted legislation, the School District will be required to annually report its budgeted support for individual schools beginning with the 2019-20 fiscal year.

### State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the School Districts can be paid only if the State has such monies available for such payment.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years, and the amounts budgeted for the two most recent fiscal years.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2014-2015	\$ 65,251,174	\$ 28,982,680	44.42%
2015-2016	68,434,491	29,349,666	42.89
2016-2017	69,600,757	31,535,511	45.31
2017-2018	70,760,554	32,376,493	45.76
2018-2019	73,131,376	33,795,406	46.21
2019-2020 (Budgeted)	71,706,265	33,463,368	46.67
2020-2021 (Budgeted)	72,445,195	33,125,668	45.73

Source: Audited financial statements for the 2014-2015 fiscal year through the 2018-2019 fiscal year and the adopted budgets of the District for the 2019-2020 and 2020-21 fiscal years. This table is not audited.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “STAR – School Tax Exemption” herein). The District has received timely STAR aid from the State for the current fiscal year.

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

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be

empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically.

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

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

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

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State’s 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-20 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are 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, and the deductibility of various taxes and interest costs. The State’s income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State’s 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State’s 2018-2019 Enacted Budget includes legislation that grants localities

the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. The District has not exercised this option.

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.

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

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

*Litigation regarding apportionment of State aid.* In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* ("CFE") v. *State of 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 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 State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER v. State of New York* has been filed recently on behalf of the State's public school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE v. State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

### **Events Affecting State Aid to New York School Districts**

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

*School district fiscal year (2014-2015):* The State Legislature adopted the State budget on March 31, 2014. The budget included an increase of \$1.1 billion in State aid for school districts.

*School district fiscal year (2015-2016):* The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

*School district fiscal year (2016-2017):* The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the State's Adopted Budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase related to (\$100 million). Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

*School district fiscal year (2017-2018):* The State's 2017-2018 Enacted Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2018-2019):* The State's 2018-2019 Enacted Budget provides for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases have been targeted to high need school districts. 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 5.2% and building aid increased by 4.7%. The State 2018-2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2019-2020) -* The State's 2019-20 Enacted Budget includes more than \$1 billion increase in aid to school districts, including a \$618 million increase in Foundation Aid. The new State education aid total is \$27.9 billion and increase of 3.8%. The 2019-20 Enacted Budget directs a majority of such additional funding (over 70%) to the State's more economically disadvantaged school districts.

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

The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financing of the State and School Districts of the State*" herein).



*Gap Elimination Aid:* The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under then existing State aid formulas). The District’s State aid was reduced as a result of the GEA program starting in 2009. Subsequent, State budgets decreased the amount of the GEA deduction and the Adopted Budget for the State’s 2016-2017 fiscal year included the elimination of the remaining balance of the GEA.

The Smart Schools Bond Act (the “SSBA”) was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The SSBA requires that a Review Board review and approve districts’ Smart Schools Investment Plan before any funds may be made available for the program.

### **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 four fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2019	No Designation	3.3
2018	No Designation	0.0
2017	Susceptible	28.3
2016	Susceptible	35.0

### **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 most recent State Comptroller audit report of the District dated February 21, 2020 was to determine whether District officials properly managed and accounted for Niagara Power Coalition and Native American revenues.

**Key Findings**

- District officials did not properly account for Niagara Power Coalition revenues; \$4.2 million was maintained in the debt service fund although the funds had not been designated to pay debt.
- District officials improperly restricted funds in a debt reserve.
- District officials maintained a capital reserve that was not properly approved.

**Key Recommendations**

- Account for Niagara Power Coalition revenues in a special revenue fund.
- Investigate the source of funds in the debt reserve and, if appropriate, transfer these funds to a special revenue fund.
- Consult with legal counsel on the appropriate action regarding the future use of the capital reserve.

District officials generally agreed with our findings and recommendations and indicated that they have initiated, or planned to initiate, corrective action.

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:					
Town of Niagara	\$ 270,496,497	\$ 270,393,066	\$ 273,835,627	\$ 276,292,048	\$ 276,725,359
Town of Wheatfield	699,552,794	704,294,643	711,180,296	716,780,767	714,248,607
Town of Lewiston	117,875,175	118,121,233	119,479,936	120,622,182	120,846,756
Town of Cambria	<u>20,828,957</u>	<u>21,092,394</u>	<u>26,220,044</u>	<u>26,291,883</u>	<u>26,550,438</u>
Total	<u>\$ 1,108,753,423</u>	<u>\$ 1,113,901,336</u>	<u>\$ 1,130,715,903</u>	<u>\$ 1,139,986,880</u>	<u>\$ 1,138,371,160</u>
Equalization Rates:					
Town of Niagara	55.00%	56.00%	56.00%	56.00%	54.00%
Town of Wheatfield	65.00%	63.00%	62.00%	60.00%	55.00%
Town of Lewiston	73.00%	71.00%	69.00%	67.00%	62.00%
Town of Cambria	94.00%	90.00%	100.00%	100.00%	95.00%
Full Valuations:					
Town of Niagara	\$ 491,811,813	\$ 482,844,761	\$ 488,992,191	\$ 493,378,657	\$ 512,454,369
Town of Wheatfield	1,076,235,068	1,117,928,005	1,147,064,994	1,194,634,612	1,298,633,831
Town of Lewiston	161,472,842	166,367,934	173,159,328	180,033,107	194,914,123
Town of Cambria	<u>22,158,465</u>	<u>23,435,993</u>	<u>26,220,044</u>	<u>26,291,883</u>	<u>27,947,829</u>
Total	<u>\$ 1,751,678,188</u>	<u>\$ 1,790,576,693</u>	<u>\$ 1,835,436,556</u>	<u>\$ 1,894,338,259</u>	<u>\$ 2,033,950,151</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>
Town of Niagara					
Homestead	\$ 31.00	\$ 29.73	\$ 29.16	\$ 28.95	\$ 28.46
Non-Homestead	41.54	39.78	39.08	38.80	38.18
Town of Wheatfield					
Homestead	25.84	26.03	25.94	26.63	27.63
Non-Homestead	35.32	35.52	35.44	36.36	37.53
Town of Lewiston					
Homestead	23.23	23.33	23.48	23.98	24.64
Non-Homestead	30.97	31.05	31.39	32.11	32.81
Town of Cambria					
Homestead	18.03	18.41	16.30	15.66	15.70
Non-Homestead	24.05	24.49	21.66	21.51	21.41

## Tax Collection Procedure

Real property taxes for school purposes are levied by the District and are collected by the District's appointed tax collector for each town. Such taxes may be paid without penalty on or before October 5. Delinquent school tax payments are assessed penalties in accordance with an ascending scale, which starts at 2% if paid between October 6 and November 5.

On or about November 5, uncollected taxes are turned over to the Niagara County Treasurer and the County reimburses the District in full for the uncollected amount no later than April 1 of the District's fiscal year.

The County has the power to enforce the collection of real property taxes and to issue and sell tax anticipation notes in order to finance any uncollected taxes returned to the District. Table 6 shows the District's collections for the past five years

## Tax Collection Record

Fiscal Year Ended June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Tax Levy:	\$31,384,323	\$31,960,121	\$32,178,516	\$32,979,761	\$ 33,543,714
Less: STAR Collections	4,755,770	4,750,313	4,579,828	4,486,113	4,224,241
Prior to Return to County	266,286	27,209,808	27,592,505	28,489,582	27,749,769
Amount Returned	1,141,177	1,256,369	1,267,227	1,326,293	1,565,230
Percentage Collected Prior to Return to County	95.71%	95.38%	95.40%	95.34%	94.66%

## 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.

Fiscal Year	Total Revenues	Total Real Property Taxes	Percentage of Total Revenues Consisting of Real Property Taxes
2014-2015	\$ 65,251,174	\$ 32,959,996	50.51%
2015-2016	68,434,491	33,907,904	49.55
2016-2017	69,600,757	33,795,170	48.56
2017-2018	70,760,554	33,906,962	47.92
2018-2019	73,131,376	34,599,431	47.31
2019-2020 (Budgeted)	71,706,265	33,543,714	46.78
2020-2021 (Budgeted)	72,445,195	34,043,515	46.99

Source: Audited financial statements for the 2014-15 fiscal year through 2018-19 fiscal year and the adopted budgets of the District for the 2019-2020 and 2020-2021 fiscal years. This table is not audited.

## Major Taxpayers 2019

### For 2019-20 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Niagara Mohawk Power Corporation	Utility	\$23,982,537
Empire State Pipeline	Utility	6,435,804
Niagara Recycling Inc.	Landfill	5,532,900
Woodlands Realty Group LLC	Commercial	5,274,000
Niagara Plaza, LLC	Commercial	4,300,000
100 Crestwood Court LLC	Commercial	4,000,000
CCP North Gate 7548 LLC	Commercial	3,717,400
2600 Niagara Falls Blvd LLC	Commercial	3,450,000
National Fuel Gas Dist.	Utility	3,296,401
AHC Purchaser Inc.		2,825,000
	Total	<hr/> \$62,814,042

1. The above taxpayers represent 5.5% of the School District's 2019-20 Assessed value of \$1,138,371,160

## 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. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

The 2020-21 Executive Budget would withhold STAR benefits to taxpayers who are delinquent in the payment of their school taxes and would lower the income limit for the exemption to \$200,000, compared with a \$500,000 limit for the credit. The 2020-21 Executive Budget is subject to approval by the New York State Legislature and then signed into law by the Governor. There is no assurance that the 2020-21 Executive Budget will be adopted and no way to predict what changes the Governor and the Legislature may agree to.

## **Real Property Tax Rebate**

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of Tax Levy Limitation Law. School districts budgets must comply in their 2014-15 and 2015-16 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

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

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

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

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap

limits established by Chapter 97. The implications of this program on future tax levies and for operations and services of the School District are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance. It is not known at this time if the program has been extended beyond 2019.

## **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.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures (such as the Notes), and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

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.

## **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 in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

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

### **Statutory Procedure**

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

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

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

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Notes.



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

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

Statutory law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than 2 years from the date of the first issuance of such notes and provided that such renewal issues do not exceed 5 years beyond the original date of borrowing.

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

**Status of Indebtedness**

**Debt Outstanding End of Fiscal Year**

Fiscal Year Ending June 30:	2015	2016	2017	2018	2019
Serial Bonds	\$ 40,175,000	\$ 33,990,000	\$ 28,595,000	\$ 23,070,000	\$ 17,980,000
Bond Anticipation Notes	-	-	-	-	11,000,000
Capital Lease	-	-	-	-	2,478,271
<b>Total Debt Outstanding</b>	<b>\$ 40,175,000</b>	<b>\$ 33,990,000</b>	<b>\$ 28,595,000</b>	<b>\$ 23,070,000</b>	<b>\$ 31,458,271</b>

**Status of Outstanding Bond Issues**

Year of Issue:	2012		2013	
Amount Issued:	\$4,600,000		\$10,570,000	
Purpose/Instrument:	DASNY Serial Bond		Building/ Serial Bond	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	320,000	108,250	685,000	196,638
2022	335,000	92,250	700,000	176,088
2023	350,000	75,500	720,000	155,088
2024	370,000	58,000	740,000	133,488
2025	385,000	39,500	760,000	103,888
2026	405,000	20,250	780,000	73,488
2027	-	-	805,000	50,088
2028	-	-	830,000	25,938
<b>Totals:</b>	<b>\$ 2,165,000</b>	<b>\$ 393,750</b>	<b>\$ 6,020,000</b>	<b>\$ 914,704</b>

Amount Issued: Purpose/Instrument: Fiscal Year Ending June 30:	2015 \$14,210,000 Building/Serial Bond		2019 \$9,925,000 Building/Serial Bond	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	2,930,000	276,813	965,000	197,397
2022	<u>3,060,000</u>	<u>142,313</u>	590,000	179,200
2023			600,000	167,400
2024			615,000	155,400
2025			625,000	143,100
2026			640,000	130,600
2027			680,000	117,800
2028			695,000	104,200
2029			715,000	90,300
2030			730,000	76,000
2031			745,000	61,400
2032			760,000	46,500
2033			725,000	31,300
2034			620,000	16,800
2035			<u>220,000</u>	<u>4,400</u>
Totals:	\$ 5,990,000	\$ 419,126	\$ 9,925,000	\$ 1,521,797

### 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>
2021	4,900,000	779,098	5,679,098	20.77%
2022	4,685,000	589,851	5,274,851	40.05%
2023	1,670,000	397,988	2,067,988	26.85%
2024	1,725,000	346,888	2,071,888	15.14%
2025	1,770,000	286,488	2,056,488	15.09%
2026	1,825,000	224,338	2,049,338	15.01%
2027	1,485,000	167,888	1,652,888	13.54%
2028	1,525,000	130,138	1,655,138	12.10%
2029	715,000	90,300	805,300	9.00%
2030	730,000	76,000	806,000	5.89%
2031	745,000	61,400	806,400	5.90%
2032	760,000	46,500	806,500	5.90%
2033	725,000	31,300	756,300	5.71%
2034	620,000	16,800	636,800	5.09%
2035	<u>220,000</u>	<u>4,400</u>	<u>224,400</u>	3.15%
Totals:	\$ 24,100,000	\$ 3,249,377	\$ 27,349,377	

### Cash Flow Borrowings

The District currently does not have a revenue or tax anticipation notes outstanding. The District may consider issuing a revenue anticipation note in Fall 2020 depending on the timing of receipt of Native American Aid from the State.

## Capital Project Plans

On May 21, 2019 the qualified voters of The District approved a capital project in the amount of \$30,000,000 of which \$25million will be financed. The project will consist of the construction of improvements and alterations to District buildings and sites. This will be the first borrowing against this authorization.

## Capital Lease Obligations

The District has entered into an Energy Performance Contract to complete necessary energy improvements in many of the District buildings. The total principal amount of the lease was \$2,478,271 and was issued at a rate of 3.125%. Payments are due April 23 and October 23. The District anticipates receiving approximately 67.49% of the cost in State Aid with the remaining amount being paid by the energy cost savings. The remaining payments under this agreement are as follows:

<u>Year</u> <u>Ending</u> <u>June</u> <u>30th</u>	<u>Principal</u> <u>Due 10/23</u>	<u>Principal</u> <u>Due</u> <u>4/23</u>	<u>Interest</u> <u>Due</u> <u>10/23</u>	<u>Interest</u> <u>Due 4/23</u>	<u>Total</u>
2021	65,387	66,408	38,723	37,701	\$208,220
2022	67,446	68,500	36,664	35,610	\$208,220
2023	69,570	70,657	34,540	33,452	\$208,220
2024	71,761	72,883	32,348	31,227	\$208,220
2025	74,021	75,178	30,088	28,932	\$208,220
2026	76,353	77,546	27,757	26,564	\$208,220
2027	78,757	79,988	25,353	24,122	\$208,220
2028	81,238	82,507	22,872	21,603	\$208,220
2029	83,796	85,105	20,314	19,004	\$208,220
2030	86,435	87,786	17,675	16,324	\$208,220
2031	89,157	90,551	14,952	13,559	\$208,220
2032	91,965	93,402	12,144	10,707	\$208,220
2033	94,862	96,344	9,248	7,766	\$208,220
2034	97,849	99,378	6,260	4,732	\$208,220
2035	100,931	102,508	3,179	1,602	\$208,220
Total	\$1,229,530	\$1,248,741	\$332,117	\$312,905	\$3,123,293

## Building Aid Estimate

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. The District has not applied for such estimate but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 78.5%.

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 August 11, 2020

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Taxable Full Valuation</u>
Town of Niagara	\$ 276,725,359	54.00%	\$ 512,454,369
Town of Wheatfield	714,248,607	55.00%	1,298,633,831
Town of Lewiston	120,846,756	62.00%	194,914,123
Town of Cambria	26,550,438	95.00%	27,947,829
Total			<u>\$ 2,033,950,152</u>
Debt Limit: 10% of Full Valuation			\$ 203,395,015
Inclusions:			
Serial Bonds			<u>\$ 24,100,000</u>
Total Inclusions:			<u>\$ 24,100,000</u>
Exclusions:			
Building Aid Estimate <sup>1</sup>			<u>\$0</u>
Total Exclusions:			<u>\$0</u>
Total Net Indebtedness Before Giving Effect to This Issue:			\$ 24,100,000
New Monies This Issue:			<u>10,000,000</u>
Total Net Indebtedness			\$ 34,100,000
Net Debt Contracting Margin			\$ 169,295,015
Percentage of Debt-Contracting Power Exhausted			16.77%

**Notes:** 1. Pursuant to the provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing building debt. Since the Gross Indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate and therefore is not permitted to deduct Estimated Building Aid

## Estimated Overlapping Indebtedness

<u>Overlapping Unit</u>	<u>Applicable Equalized Value</u>	<u>Percent</u>	<u>Gross Indebtedness</u> <sup>1</sup>	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Estimated Applicable Overlapping Indebtedness</u>
Niagara County	\$ 2,033,950,151					
	\$ 11,171,321,246	18.21%	\$ 89,763,800	N/A	\$ 89,763,800	\$ 16,343,196
Town of Niagara	\$ 512,454,369					
	\$ 512,454,369	100.00%	\$ 3,117,695	N/A	\$ 3,117,695	\$ 3,117,695
Town of Wheatfield	\$ 1,298,633,831					
	\$ 1,400,835,623	92.70%	\$ 6,349,968	N/A	\$ 6,349,968	\$ 5,886,689
Town of Lewiston	\$ 194,914,123					
	\$ 1,240,359,662	15.71%	\$ 10,095,000	N/A	\$ 10,095,000	\$ 1,586,361
Town of Cambria	\$ 27,947,829					
	\$ 438,388,332	6.38%	\$ 687,000	N/A	\$ 687,000	\$ 43,797
<b>Total</b>						<u>\$ 26,977,738</u>

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 August 11, 2020:

	Amount	Per Capita	(a) Percentage of Full Value	(b)
Net Indebtedness	\$ 34,100,000	\$ 1,268.04	1.677%	
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 61,077,738	\$ 2,271.22	3.003%	

(a) The District's estimated population is 26,892 (Source: 2017 U.S. Census Bureau estimate)

(b) The District's full valuation of taxable real estate for 2019-20 is \$2,033,950,151

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

## Tax Matters

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into

account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

### Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Note). An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

### Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or 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 or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **Approval of Legal Proceedings**

The validity of the Notes will be covered by the unqualified legal opinion of Hawkins Delafield and Wood 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 Notice of Events, 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**

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against the District, would have an adverse material, adverse effect on the financial condition of the District.

On February 11, 2020 the Districted was served with a summons and complaint alleging claims under the Child Victims Act. The claim summons and complaint have been publicly filed in Erie County Supreme Court and names the District as one of several defendants. At this early stage it is not possible to determine the potential cost to the District arising from this claim.

At this time the only other current, pending, or threatened legal actions against the District concern matters before state administrative agencies that would not have a material, adverse effect on the financial condition of the District.



## **Cybersecurity**

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

## **Bond Rating**

The Notes are issued as non-rated.

The most recent underlying rating assigned to the School District by Moody's Investor Service is an Aa3 rating, which was assigned in connection with the issuance by the School District of \$9,925,000 School District Serial Bonds dated March 17, 2020.

A 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. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the District's outstanding serial bonds may have an adverse effect on the market price of the bonds.

## **Municipal Advisor**

R.G. Timbs, Inc. is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **CUSIP Identification Numbers**

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

## Miscellaneous

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.

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](http://www.RGTimbsInc.net). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. R.G. Timbs, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website

The School District's contact information is as follows: Allison Brady, School Business Administrator, phone: (716) 215-3024; email: [adavis@nwcsd.org](mailto:adavis@nwcsd.org).

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

**Niagara Wheatfield Central School District**

**Dated: August 11, 2020  
Niagara, New York**

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Steven Sabo  
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:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Budget
Beginning Fund Balance - July 1	\$6,634,186	\$11,797,484	\$19,204,161	\$20,671,299	\$24,135,280	\$20,956,627	E
<b><u>Revenues:</u></b>							
Real Property Taxes	\$32,959,996	\$33,907,904	\$33,795,170	\$33,906,962	\$34,599,431	\$33,543,714	
Other Tax Items	0	0	0	0	0	1,653,295	
Charges for Services	1,484,072	3,041,084	1,815,250	2,578,180	2,394,678	1,181,000	
Use of Money & Property	36,195	53,074	55,142	98,758	281,707	76,000	
Sale of Property/Comp. for Loss	140,813	192,276	277,221	137,375	276,768	76,000	
Miscellaneous	639,406	358,416	727,276	1,014,852	714,372	321,000	
State Aid	28,982,680	29,349,666	31,535,511	32,376,493	33,795,406	33,463,368	
Federal Aid	98,875	145,611	490,724	547,934	869,005	500,000	
Interfund Transfer	<u>909,137</u>	<u>1,386,460</u>	<u>904,463</u>	<u>100,000</u>	<u>200,000</u>	<u>891,888</u>	
Total Revenues	\$65,251,174	\$68,434,491	\$69,600,757	\$70,760,554	\$73,131,376	\$71,706,265	
<b><u>Expenditures:</u></b>							
General Support	\$5,862,961	\$6,297,926	\$6,269,990	\$6,537,100	\$7,618,900	\$7,303,735	
Instruction	29,592,354	30,833,869	32,934,665	34,892,370	37,775,300	39,013,560	
Transportation	3,261,073	3,364,301	3,478,530	4,353,898	4,627,079	5,089,406	
Employee Benefits	13,647,028	12,931,528	13,663,025	13,725,319	15,928,367	16,599,649	
Debt Service	0	0	0	0	0	0	
Interfund Transfer	<u>7,724,460</u>	<u>7,600,400</u>	<u>11,787,409</u>	<u>7,787,886</u>	<u>6,247,771</u>	<u>6,393,650</u>	
Total Expenditures	\$60,087,876	\$61,028,024	\$68,133,619	\$67,296,573	\$72,197,417	\$74,400,000	
Adjustments	0	210	0	0	(4,112,612) <sup>2</sup>	0	
Year End Fund Balance	\$11,797,484	\$19,204,161	\$20,671,299	\$24,135,280	\$20,956,627	\$18,262,892	E
Excess (Deficit) Revenues Over Expenditures	\$5,163,298	\$7,406,467	\$1,467,138	\$3,463,981	\$933,959	(\$2,693,735) <sup>1E</sup>	1

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

Note: 1. Appropriated Fund Balance is planned to be used  
 2. Adjustment due to Tuscarora School Fund Balance  
 E. Estimated

## General Fund – Budget Summary

### 2020-21 Adopted Budget

#### Revenues:

Real Property Taxes	\$34,043,515
App. Fund Balance	4,674,432
Other Tax Items	1,519,012
Interest & Penalties on Real Property	55,000
Charges for Services	1,682,000
Interest and Earnings	73,000
Use of Money & Property	91,000
Miscellaneous	456,000
State Aid	33,125,668
Federal Aid	600,000
Interfund Transfers	800,000
Total Revenues	<u>\$77,119,627</u>

#### Expenditures:

General Support	\$7,167,120
Instruction	40,788,057
Transportation	5,108,040
Employee Benefits	17,201,542
Interfund Transfer	6,854,868
Total Expenditures	<u>\$77,119,627</u>

Source: Adopted Budget of the School District. This table is NOT audited

## General Fund – Comparative Balance Sheet

Fiscal Year Ending June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Assets:</b>					
Cash and Cash Equivalents	\$4,403,235	\$5,076,173	\$4,119,869	\$7,313,437	\$5,293,885
Restricted Cash and Cash Equivalents	5,059,571	10,662,355	13,587,496	14,490,258	16,144,088
Accounts Receivable	137,941	158,984	261,102	186,201	29,249
Intergovernmental receivables - Tuscarora	0	0	0	0	7,789,481
Due from Other Funds	5,854,081	4,907,621	4,170,509	4,633,863	724,166
Due from Other Governments	<u>3,909,043</u>	<u>4,005,376</u>	<u>3,843,125</u>	<u>3,042,461</u>	<u>4,170,909</u>
<b>Total Assets</b>	<b><u>\$19,363,871</u></b>	<b><u>\$24,810,509</u></b>	<b><u>\$25,982,101</u></b>	<b><u>\$29,666,220</u></b>	<b><u>\$34,151,778</u></b>
<b>Liabilities:</b>					
Accounts Payable	\$58,576	\$179,440	\$198,712	\$230,986	\$458,571
Accrued Liabilities	864,715	376,846	151,003	168,655	228,133
Due to Other Funds	111,347	0	8,666	1,019,718	0
Due Retirement System	4,289,547	3,394,141	3,131,243	2,815,466	3,108,602
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities:</b>	<b><u>\$5,324,185</u></b>	<b><u>\$3,950,427</u></b>	<b><u>\$3,489,624</u></b>	<b><u>\$4,234,825</u></b>	<b><u>\$3,795,306</u></b>
<b>Deferred Inflows of Resources:</b>					
State Aid Receivable	\$2,241,992	\$1,655,921	\$1,821,178	\$1,296,115	\$9,399,845
<b>Fund Balances:</b>					
Nonspendable	\$3,789,392	\$3,759,938	\$3,561,298	\$3,843,620	\$0
Restricted	\$5,059,571	\$10,662,355	\$13,533,458	\$14,490,258	\$16,133,524
Assigned	230,958	2,022,459	755,822	2,914,207	2,131,469
Unassigned	<u>2,717,773</u>	<u>2,759,409</u>	<u>2,820,721</u>	<u>2,887,195</u>	<u>2,691,634</u>
<b>Total Fund Balance</b>	<b><u>\$11,797,694</u></b>	<b><u>\$19,204,161</u></b>	<b><u>\$20,671,299</u></b>	<b><u>\$24,135,280</u></b>	<b><u>\$20,056,657</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$19,363,871</u></b>	<b><u>\$24,810,509</u></b>	<b><u>\$25,982,101</u></b>	<b><u>\$29,666,220</u></b>	<b><u>\$34,151,778</u></b>

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*

**NIAGARA WHEATFIELD CENTRAL  
SCHOOL DISTRICT, NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Federal  
Awards Information for the Year Ended  
June 30, 2019 and Independent Auditors' Reports*





**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
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**Year Ended June 30, 2019**

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Niagara Wheatfield Central School District, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niagara Wheatfield Central School District, New York (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***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

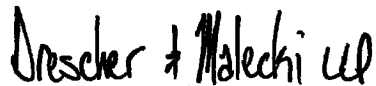
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of the District's internal control over financial reporting and 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 2, 2019





**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2019**

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As management of the Niagara Wheatfield Central School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$88,425,206 (*net position*). This consists of \$54,235,488 net investment in capital assets, \$21,643,443 restricted for specific purposes and unrestricted net position of \$12,546,275.
- The District's net position increased by \$9,967,785 during the year ended June 30, 2019.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,720,394, a decrease of \$1,818,209 in comparison with prior year's fund balance of \$28,538,603.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,691,634, or 3.7 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 12.8 percent of the General Fund's total fund balance of \$20,956,627 at June 30, 2019.
- The District's total bonded indebtedness decreased by \$5,090,000 as a result of principal payments made during the year ended June 30, 2019.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which includes the presentation of the Tuscarora Indian Education Fund, Special Aid Fund, School Lunch Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 18 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s net pension liability/(asset), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and the related notes to the required supplementary information can be found on pages 46-53 of this report.

Supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 54-56.

Other information is presented immediately following the Supplementary Information section of this report on pages 57-58.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 59-66 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88,425,206 at June 30, 2019 as compared to \$78,457,421 at the close of the fiscal year ended June 30, 2018.

Table 1, shown below, presents the condensed statements of net position of the District at June 30, 2019 and June 30, 2018.

**Table 1—Condensed Statements of Net Position**

	June 30,	
	2019	2018
Current assets	\$ 52,271,893	\$ 37,591,240
Noncurrent assets	80,655,925	74,792,761
Total assets	<u>132,927,818</u>	<u>112,384,001</u>
Deferred outflows of resources	<u>16,843,559</u>	<u>18,131,832</u>
Current liabilities	16,386,924	4,176,925
Noncurrent liabilities	<u>39,053,718</u>	<u>42,113,037</u>
Total liabilities	<u>55,440,642</u>	<u>46,289,962</u>
Deferred inflows of resources	<u>5,905,529</u>	<u>5,768,450</u>
Net position:		
Net investment in capital assets	54,235,488	49,706,788
Restricted	21,643,443	22,729,789
Unrestricted	<u>12,546,275</u>	<u>6,020,844</u>
Total net position	<u>\$ 88,425,206</u>	<u>\$ 78,457,421</u>

The largest portion of the District’s net position, \$54,235,488, reflects its investment in capital assets (e.g. land, construction in progress, buildings and improvements, land improvements, and furniture,

equipment, and vehicles), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District's net position, \$21,643,443, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the District's net position, \$12,546,275, is considered unrestricted and represents resources that may be used to meet District's ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2019 and June 30, 2018:

**Table 2—Condensed Statements of Changes in Net Position**

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 2,814,798	\$ 3,057,122
Operating grants and contributions	12,204,799	10,461,426
General revenues	<u>66,656,382</u>	<u>67,202,578</u>
Total revenues	<u>81,675,979</u>	<u>80,721,126</u>
Program expenses	<u>71,708,194</u>	<u>70,943,801</u>
Change in net position	9,967,785	9,777,325
Net position—beginning	<u>78,457,421</u>	<u>68,680,096</u>
Net position—ending	<u>\$ 88,425,206</u>	<u>\$ 78,457,421</u>

Overall revenues increased by 1.2 percent from the prior year, due primarily to increases in operating grants and contributions related to New York State basic aid and an increase in real property taxes and other tax items, partially offset by a decrease in miscellaneous revenue. In the prior year, the District drew down additional funds related to a re-licensing agreement with the New York State Power Authority. Total expenses increased by 1.1 percent from the year ended June 30, 2018 primarily due to an increase in general support related to personnel costs.

A summary of sources of revenues for the years ended June 30, 2019 and June 30, 2018 is presented on the following page in Table 3.

**Table 3—Summary of Sources of Revenues**

	Year ended June 30,		Increase/(Decrease)	
	2019	2018	Dollars	Percent
Charges for services	\$ 2,814,798	\$ 3,057,122	\$ (242,324)	(7.9)
Operating grants and contributions	12,204,799	10,461,426	1,743,373	16.7
Real property taxes and other tax items	34,599,431	33,906,962	692,469	2.0
Use of money and property	357,858	117,890	239,968	203.6
Sale of property and compensation for loss	276,768	137,375	139,393	101.5
State sources—unrestricted	29,936,850	29,553,539	383,311	1.3
Miscellaneous	1,485,475	3,486,812	(2,001,337)	(57.4)
Total revenues	<u>\$ 81,675,979</u>	<u>\$ 80,721,126</u>	<u>\$ 954,853</u>	1.2

The most significant sources of revenue for the year ended June 30, 2019 were real property taxes and other tax items of \$34,599,431, or 42.4 percent of total revenues and unrestricted State sources of \$29,936,850, or 36.7 percent of total revenues. Similarly, for the year ended June 30, 2018, the largest sources of revenue were real property taxes and other tax items of \$33,906,962, or 42.0 percent of total revenues and unrestricted State sources of \$29,553,539, or 36.6 percent of total revenues.

A summary of program expenses for the years ended June 30, 2019 and June 30, 2018 is presented below in Table 4:

**Table 4—Summary of Program Expenses**

	Year ended June 30,		Increase/(Decrease)	
	2019	2018	Dollars	Percent
General support	\$ 9,971,729	\$ 9,578,567	\$ 393,162	4.1
Instruction	54,103,644	53,864,848	238,796	0.4
Pupil transportation	5,865,726	5,622,745	242,981	4.3
School food service	1,074,331	1,015,067	59,264	5.8
Interest and other fiscal charges	692,764	862,574	(169,810)	(19.7)
Total program expenses	<u>\$ 71,708,194</u>	<u>\$ 70,943,801</u>	<u>\$ 764,393</u>	1.1

The most significant expense items for the year ended June 30, 2019 were instruction of \$54,103,644, or 75.4 percent of total expenses, general support of \$9,971,729, or 13.9 percent of total expenses, and pupil transportation of \$5,865,726, or 8.2 percent of total expenditures. Similarly, for the year ended June 30, 2018, the most significant expense items were instruction which comprised \$53,864,848, or 75.9 percent of total expenses, general support of \$9,578,567, or 13.5 percent of total expenses, and pupil transportation of \$5,622,745, or 7.9 percent of total expenditures.

## Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of June 30, 2019, the District’s governmental funds reported combined ending fund balances of \$26,720,394, a decrease of \$1,818,209 from the prior year. Approximately 10.1 percent, or \$2,691,636, of this amount constitutes unassigned fund balance which is available for spending in the General Fund at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$31,424, (2) restricted for particular purposes, \$21,643,441, or (3) assigned for particular purposes, \$2,353,893.

The General Fund is the chief operating fund of the District. The General Fund includes the General Fund of the Tuscarora School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,691,636, while the total fund balance increased to \$20,956,627. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 3.7 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 29.0 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$933,959 during the current fiscal year. During the year ended June 30, 2019, the District anticipated utilizing \$2,914,207 of fund balance including \$1,331,606 from the re-appropriation of prior year’s encumbrances and \$1,582,601 appropriated during the budget process. As a result of spending less than anticipated, the District’s General Fund fund balance ended \$7,784,026 higher than expected.

Special Aid Fund expenditures for the year ended June 30, 2019 amounted to \$2,489,661 supported mainly by State and Federal Aid. Instruction expenditures decreased in the current year based on the amount of aid received. The difference between revenues and expenditures is subsidized by a transfer from the General Fund.

The School Lunch Fund total fund balance is \$177,159, as of June 30, 2019, of which \$31,424 is considered nonspendable. The fund balance of the District’s School Lunch Fund decreased by \$22,709 in the current fiscal year due to costs of sales and employee benefits exceeding revenues and transfers in.

The Special Revenue fund reports a fund balance of \$76,689, an increase of \$153 from the prior year.

At June 30, 2019, the District’s Capital Projects Fund reports a fund balance of \$18,550, a decrease of \$3,299,645 from the prior year as a result of increased capital outlay that was partially offset by proceeds from an emergency performance contract entered into by the District during the year ended June 30, 2019.

At June 30, 2019, the District’s Debt Service Fund reports a fund balance of \$5,491,369, an increase of \$570,033 from the prior year due to revenues and transfers in outweighing expenditures and transfers out. This total fund balance is classified as restricted for future debt service payments.

## General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented below in Table 5:

**Table 5—General Fund Budget**

Adopted budget 2018-2019	\$ 72,179,915
Add: Prior year's encumbrances	<u>1,331,606</u>
Original budget 2018-2019	73,511,521
Budget revisions:	
Donations	<u>4,493</u>
Final budget 2018-2019	<u>\$ 73,516,014</u>

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

## Capital Assets and Debt Administration

**Capital assets**—The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$77,897,481 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, and furniture, equipment and vehicles.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at the years ended June 30, 2019 and June 30, 2018 are presented below in Table 6:

**Table 6—Summary of Capital Assets (Net of Accumulated Depreciation)**

	June 30,	
	2019	2018
Land	900,115	900,115
Construction in progress	6,843,440	1,265,526
Buildings and improvements	64,165,229	65,538,753
Land improvements	2,928,780	3,194,290
Furniture, equipment and vehicles	<u>3,059,917</u>	<u>2,764,284</u>
Total	<u>\$ 77,897,481</u>	<u>\$ 73,662,968</u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

**Long-term liabilities**—At June 30, 2019, the District had serial bonds outstanding of \$17,980,000, as compared to \$23,070,000 in the prior year. During the year ended June 30, 2019, the District made scheduled principal payments of \$5,090,000.



A summary of the District’s long-term liabilities at June 30, 2019 and June 30, 2018 is presented below in Table 7:

**Table 7—Summary of Long-Term Liabilities**

	June 30,	
	2019	2018
Serial bonds	\$ 17,980,000	\$ 23,070,000
Premium on serial bonds	1,080,045	1,397,014
Bonds payable, net	19,060,045	24,467,014
Energy performance contract	2,478,271	-
Compensated absences	6,255,329	5,924,434
Workers' compensation	2,599,818	2,623,600
OPEB obligation	6,930,384	8,336,694
Net pension liability	1,729,871	761,295
Total	<u>\$ 39,053,718</u>	<u>\$ 42,113,037</u>

Additional information on the District’s long-term liabilities can be found in Note 10 to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

The unemployment rate, not seasonally adjusted, for the region at June 30, 2019 was 4.6 percent. This compares to New York State’s average unemployment rate of 4.0 percent. These factors are considered in preparing the District’s budget.

During the current fiscal year, the District appropriated \$1,343,735 of the General Fund’s fund balance for spending in the District’s 2019-2020 fiscal year budget. The 2019-2020 adopted budget appropriations total of \$74,400,000 is an approximate increase of 3.1 percent as compared to \$72,179,915 in 2018-2019. The District’s total budgeted tax levy, including the amount for School Tax Assessment Relief (“STAR”), in 2019-2020 is \$33,543,714, which is an approximate increase of 1.7 percent as compared to \$32,979,761 levied during the 2018-2019 year.

**Requests for Information**

This financial report is designed to provide our community, taxpayers, creditors and investors with a general overview of the District’s finances and to show the District’s accountability. If you have any questions about this report or need additional financial information, contact Mrs. Allison Davis, District Business Manager, Niagara Wheatfield Central School District, P.O. Box 309, Sanborn, New York 14132.

# BASIC FINANCIAL STATEMENTS



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**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Primary Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,493,998
Restricted cash and cash equivalents	34,067,576
Receivables	29,360
Due from Agency Fund	64,021
Intergovernmental receivables	12,585,514
Inventories	31,424
Noncurrent net pension asset	2,758,444
Capital assets not being depreciated	7,743,555
Capital assets, net of accumulated depreciation	<u>70,153,926</u>
Total assets	<u>132,927,818</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pension plans	16,154,259
Deferred outflows—relating to OPEB	350,691
Deferred charges on debt refunding	<u>338,609</u>
Total deferred outflows of resources	<u>16,843,559</u>
<b>LIABILITIES</b>	
Accounts payable	1,170,692
Retainages payable	21,502
Accrued liabilities	454,164
Intergovernmental payables	45
Due to retirement systems	3,108,602
Unearned revenue	631,919
Bond anticipation notes payable	11,000,000
Noncurrent liabilities:	
Due within one year	4,929,418
Due within more than one year	<u>34,124,300</u>
Total liabilities	<u>55,440,642</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pension plans	4,323,631
Deferred inflows—relating to OPEB	<u>1,581,898</u>
Total deferred inflows of resources	<u>5,905,529</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,235,488
Restricted:	
Workers' compensation	957,333
Employee benefits	1,719,330
Retirement contribution	2,536,655
Capital projects	6,744,490
Transportation	4,194,266
Debt service	5,491,369
Unrestricted	<u>12,546,275</u>
Total net position	<u>\$ 88,425,206</u>

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Activities**  
**Year Ended June 30, 2019**

<b>Function/Program</b>	<b>Expense</b>	<b>Program Revenues</b>		<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
				<b>Primary Governmental Activities</b>
Governmental activities:				
General support	\$ 9,971,729	\$ -	\$ 1,621,975	\$ (8,349,754)
Instruction	54,103,644	2,394,678	8,800,357	(42,908,609)
Pupil transportation	5,865,726	-	954,104	(4,911,622)
School food service	1,074,331	420,120	828,363	174,152
Interest and other fiscal charges	692,764	-	-	(692,764)
Total primary government	<u>\$ 71,708,194</u>	<u>\$ 2,814,798</u>	<u>\$ 12,204,799</u>	<u>(56,688,597)</u>
General revenues:				
Real property taxes and other tax items				34,599,431
Use of money and property				357,858
Sale of property and compensation for loss				276,768
State sources—unrestricted				29,936,850
Miscellaneous				1,485,475
Total general revenues				<u>66,656,382</u>
Change in net position				9,967,785
Net position—beginning				78,457,421
Net position—ending				<u>\$ 88,425,206</u>

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**June 30, 2019**

	<b>Special Revenue</b>						<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Special Aid</b>	<b>School Lunch</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 5,293,885	\$ 11,778	\$ 111,646	\$ 76,689	\$ -	\$ -	\$ 5,493,998
Restricted cash and cash equivalents	16,144,088	18,268	13,651	-	11,800,200	6,091,369	34,067,576
Receivables	29,249	-	111	-	-	-	29,360
Due from other funds	724,166	-	-	-	5,047	-	729,213
Intergovernmental receivables	4,170,909	562,932	62,192	-	-	-	4,796,033
Intergovernmental receivables-Tuscarora	7,789,481	-	-	-	-	-	7,789,481
Inventories	-	-	31,424	-	-	-	31,424
Total assets	<u>\$ 34,151,778</u>	<u>\$ 592,978</u>	<u>\$ 219,024</u>	<u>\$ 76,689</u>	<u>\$ 11,805,247</u>	<u>\$ 6,091,369</u>	<u>\$ 52,937,085</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 458,571	\$ 31,316	\$ 553	\$ -	\$ 680,252	\$ -	\$ 1,170,692
Accrued liabilities	228,133	5,431	6,832	-	-	-	240,396
Due to other funds	-	537,963	20,784	-	106,445	-	665,192
Due to retirement systems	3,108,602	-	-	-	-	-	3,108,602
Intergovernmental payables	-	-	45	-	-	-	45
Unearned revenue	-	18,268	13,651	-	-	600,000	631,919
Bond anticipation notes payable	-	-	-	-	11,000,000	-	11,000,000
Total liabilities	<u>3,795,306</u>	<u>592,978</u>	<u>41,865</u>	<u>-</u>	<u>11,786,697</u>	<u>600,000</u>	<u>16,816,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues-State aid receivable	<u>9,399,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,399,845</u>
Total deferred inflows of resources	<u>9,399,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,399,845</u>
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable	-	-	31,424	-	-	-	31,424
Restricted	16,133,524	-	-	-	18,550	5,491,369	21,643,443
Assigned	2,131,469	-	145,735	76,689	-	-	2,353,893
Unassigned	<u>2,691,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,691,634</u>
Total fund balances	<u>20,956,627</u>	<u>-</u>	<u>177,159</u>	<u>76,689</u>	<u>18,550</u>	<u>5,491,369</u>	<u>26,720,394</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,151,778</u>	<u>\$ 592,978</u>	<u>\$ 219,024</u>	<u>\$ 76,689</u>	<u>\$ 11,805,247</u>	<u>\$ 6,091,369</u>	<u>\$ 52,937,085</u>

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**June 30, 2019**

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Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances—governmental funds (page 14)		\$ 26,720,394
Net pension assets are not current financial resources and, therefore are not reported in the fund statements.		2,758,444
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$114,274,725 and the accumulated depreciation is \$36,377,244.		77,897,481
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 3,037,686	
Deferred outflows related to experience, changes in assumptions, proportion, and investment earnings	13,116,573	
Deferred inflows of resources related to pension plans	<u>(4,323,631)</u>	11,830,628
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to benefit payments	\$ 350,691	
Deferred inflows related to experience and changes of assumptions	<u>(1,581,898)</u>	(1,231,207)
Other long-term assets are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows of resources in the fund statements but are considered government-wide revenues:		
Deferred inflows of resources—Tuscarora Indian School operations	\$ 7,789,481	
Deferred inflows of resources—Tuscarora tuition reimbursement	<u>1,610,364</u>	9,399,845
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		338,609
Net accrued interest expense for serial bonds is not reported in the fund statements.		(213,768)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (17,980,000)	
Premiums on serial bonds	(1,080,045)	
Energy performance contract	(2,478,271)	
Compensated absences	(6,255,329)	
Workers' compensation	(2,599,818)	
Other postemployment benefits obligation	(6,930,384)	
Net pension liability	<u>(1,729,871)</u>	<u>(39,053,718)</u>
Net position of governmental activities		<u>\$ 88,425,206</u>

The notes to the financial statements are an integral part of this statement.



**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds**  
**Year Ended June 30, 2019**

	Special Revenue						Total Governmental Funds
	General Fund	Special Aid	School Lunch	Special Revenue	Capital Projects	Debt Service	
<b>REVENUES</b>							
Real property taxes and other tax items	\$ 34,599,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,599,431
Charges for services	2,394,678	-	-	-	-	-	2,394,678
Use of money and property	281,716	-	36	153	-	75,953	357,858
Sale of property and compensation for loss	276,768	-	-	-	-	-	276,768
Miscellaneous	714,372	-	11,977	65,046	-	694,080	1,485,475
State sources	33,795,406	838,489	26,112	-	-	-	34,660,007
Federal sources	869,005	1,550,276	802,251	-	-	-	3,221,532
Sales - food service	-	-	420,120	-	-	-	420,120
Total revenues	<u>72,931,376</u>	<u>2,388,765</u>	<u>1,260,496</u>	<u>65,199</u>	<u>-</u>	<u>770,033</u>	<u>77,415,869</u>
<b>EXPENDITURES</b>							
Current:							
General support	7,618,900	-	-	-	-	-	7,618,900
Instruction	37,775,300	2,405,245	-	65,046	-	-	40,245,591
Pupil transportation	4,627,079	84,416	-	-	-	-	4,711,495
Employee benefits	15,928,367	-	281,156	-	-	-	16,209,523
Cost of sales (school lunch)	-	-	1,074,331	-	-	-	1,074,331
Debt service:							
Principal	-	-	-	-	-	5,090,000	5,090,000
Interest and other fiscal charges	-	-	-	-	-	887,763	887,763
Capital outlay	-	-	-	-	5,874,746	-	5,874,746
Total expenditures	<u>65,949,646</u>	<u>2,489,661</u>	<u>1,355,487</u>	<u>65,046</u>	<u>5,874,746</u>	<u>5,977,763</u>	<u>81,712,349</u>
Excess (deficiency) of revenues over expenditures	<u>6,981,730</u>	<u>(100,896)</u>	<u>(94,991)</u>	<u>153</u>	<u>(5,874,746)</u>	<u>(5,207,730)</u>	<u>(4,296,480)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	200,000	100,896	72,282	-	96,830	5,977,763	6,447,771
Transfers out	(6,247,771)	-	-	-	-	(200,000)	(6,447,771)
Proceeds from capital lease	-	-	-	-	2,478,271	-	2,478,271
Total other financing sources (uses)	<u>(6,047,771)</u>	<u>100,896</u>	<u>72,282</u>	<u>-</u>	<u>2,575,101</u>	<u>5,777,763</u>	<u>2,478,271</u>
Net change in fund balances	933,959	-	(22,709)	153	(3,299,645)	570,033	(1,818,209)
Fund balances—beginning	<u>20,022,668</u>	<u>-</u>	<u>199,868</u>	<u>76,536</u>	<u>3,318,195</u>	<u>4,921,336</u>	<u>28,538,603</u>
Fund balances—ending	<u>\$ 20,956,627</u>	<u>\$ -</u>	<u>\$ 177,159</u>	<u>\$ 76,689</u>	<u>\$ 18,550</u>	<u>\$ 5,491,369</u>	<u>\$ 26,720,394</u>

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended June 30, 2019**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16) \$ (1,818,209)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 6,758,748	
Depreciation expense	<u>(2,524,235)</u>	4,234,513

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 3,650,953	
Cost of benefits earned net of employee contributions	<u>(3,146,250)</u>	504,703

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. (1,097,755)

Certain revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected. 4,260,110

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 50,255

Governmental funds report retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts are reported as expenses as they accrue. (21,502)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 5,090,000	
Amortization of premium on serial bonds	316,969	
Amortization of deferred charge on refunding	(172,225)	
Issuance of capital lease	(2,478,271)	
Change in compensated absences	(330,895)	
Change in workers' compensation	23,782	
Change in other postemployment benefits obligation	<u>1,406,310</u>	<u>3,855,670</u>

Change in net position of governmental activities \$ 9,967,785

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position—Agency Fund**  
**June 30, 2019**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$ 703,800
Total assets	<u>\$ 703,800</u>
<b>LIABILITIES</b>	
Agency fund liabilities	\$ 526,531
Due to other funds	64,021
Extraclassroom activity balances	<u>113,248</u>
Total liabilities	<u>\$ 703,800</u>

The notes to the financial statements are an integral part of this statement.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Niagara Wheatfield Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate *component units* for which the primary government is financially accountable. The District reports no business-type activities or discretely presented component units.

***Reporting Entity***

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

***Blended Component Unit***—The District reports the Tuscarora Indian Education Fund (the “School”) as a blended component unit of the District. The School was established to provide elementary education for grades K through 8 for residents and members of the Tuscarora Indian Reservation located within the District’s boundaries. Separate financial statements are available from the District’s business office.

Inclusion in the financial statements is based primarily on the concept of financial accountability as defined in GASB. Financial accountability is determined on the basis of fiscal dependency, ability to impose the District’s will or potential for the component unit to provide specific financial benefits to, or to impose specific financial burdens on, the District. The Board of Education together with certain members of the Tuscarora Indian Nation have primary fiscal responsibility for the School. The

School's budget is prepared by the District and subsequently approved by the New York State Native American Unit. All funds appropriated for the School are passed through the District. All employees serving the School are employees of the District and allocations are made from the District to the School for these services.

The General Fund of the School, the Capital Projects and School Lunch funds have been blended into the corresponding funds of the District. All eliminations for related activity between the District and the School have been made.

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

***Joint Venture***—The District is one of 13 participating school districts in the Orleans-Niagara Board of Cooperative Educational Services ("BOCES"). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the member of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2019, there was no such debt issued by the District.

During the year ended June 30, 2019, the District expended \$7,249,929 to Orleans-Niagara BOCES for administrative and program services provided by BOCES. Audited financial statements are available from Orleans-Niagara BOCES administrative offices.

### ***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the District's 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. All of the District's funds are considered major funds.

The District reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes and state sources. The General Fund includes the General Fund of the Tuscarora School. This is the primary operating fund of the blended component unit and accounts for all financial resources of the School except those required to be accounted for in another fund.
- *Special Aid Fund*—This fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—This fund is used to account for transactions of the District's food service operations.
- *Special Revenue Fund*—This fund is used to account for other revenues that are legally restricted to expenditures for specific purposes. The District entered into an agreement with the Power Authority of the State of New York (the "Authority") as part of its renewal of the Authority's licensing agreement. The agreement provides the District an allocation of low cost electricity generated at the Niagara Power Project. The District then enters into a resale agreement with an energy provider to sell excess electricity. This fund was created to control the transactions of this agreement.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.
- *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund type:

*Fiduciary Funds*—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The Fiduciary Fund of the District includes an *Agency Fund*.

- *Agency Fund*—This fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represent funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The 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 government-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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability within 90 days of year-end. All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States government agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2019; however, when the District does have investments they are recorded at fair value in accordance with GASB.

***Restricted Cash and Cash Equivalents***—Restricted cash represents unspent proceeds of debt, the Tuscarora Indian Education Fund cash, amounts to support restricted fund balances, amounts restricted for capital projects and debt service, amounts held on behalf of others, and unearned revenue.

***Receivables***—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

***Inventories***—Inventories of food and/or 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 inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

***Capital Assets***—Capital assets, which include land, construction in progress, buildings and improvements, land improvements, and furniture, equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold for the type of asset and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1	n/a
Buildings	5,000	50
Land improvements	5,000	50
Furniture and equipment	5,000	5-15
Vehicles	5,000	10

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the



Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability, the difference during the measurement period between the District's contributions, its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The third item is a deferred charge on refunding which the District also reports within its government-wide financial statements. 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.

In addition to liabilities, the statement of financial 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. At June 30, 2019, the District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements. The second item represents the effects of the change in the District's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability and is reported on the government-wide financial statements. The final item is deferred inflows for state aid receivable of \$9,399,845 within its fund financial statements. As the District is not able to determine when these funds will be received, they are currently classified as deferred inflows and will subsequently be recognized as revenue once they meet the proper recognition criteria.

***Net Position Flow Assumptions***—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 government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to

consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education may assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

***Program Revenues***—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***—The District levies real property taxes no later than September 1. For the year ended June 30, 2019, the tax lien was issued August 5, 2018 for collection from September 3 through November 5, 2018. Thereafter, uncollected amounts became the responsibility of Niagara County. Such amounts are submitted to the District by April 1 of the following year as required by law.

Tax payments are due September 3 through October 5 without penalty; October 6 through November 5 with a two percent penalty.

The tax roll is returned to the Niagara County Treasurer after November 5 at which time all unpaid taxes and penalties are payable to that office. The District retains their full tax levies for all unpaid items are returned to the County. Thus, the District is assured of receiving 100% of its tax levy. The County enforces all liens.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2019, the District reported \$18,268 of unearned revenues in the Special Aid Fund. The District received grant funding in advance but has not yet spent the funds and therefore recognizes a liability. The District reported \$13,651 of unearned revenues in the School Lunch Fund. The District received school lunch money in advance but has not performed the

services and therefore recognizes a liability. Additionally, the District reported \$600,000 of unearned revenues in the Debt Service Fund for prepayments of host community funds received in the 2018-2019 fiscal year.

***Compensated Absences***—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

***Pensions***—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

***Other Postemployment Benefits***—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as discussed in Note 7.

#### ***Other***

***Estimates***—The preparation of the financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/deferred inflows, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2019, the District implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations. GASB statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statements No. 83 and 88 did not have a material impact on the District's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021, and No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 90 and 91 will have on its financial position and results of operations when such statements are adopted.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's investment policies are governed by New York State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District's Business Manager 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 deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2019 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Deposits	<u>\$ 39,561,574</u>	<u>\$ 703,800</u>	<u>\$ 40,265,374</u>

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2019 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 873,825	\$ 863,251
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>41,265,871</u>	<u>39,402,123</u>
Total	<u>\$ 42,139,696</u>	<u>\$ 40,265,374</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2019, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

**Restricted Cash and Cash Equivalents**—The District reports unspent proceeds of debt, the Tuscarora Indian Education Fund cash, amounts to support restricted fund balances, amounts restricted for capital projects and debt service, amounts held on half of others, and unearned revenue as restricted cash and cash equivalents. At June 30, 2019, the District reported \$34,067,574 of restricted cash within its governmental funds and \$703,800 within its fiduciary fund.

**Investments**—The District had no investments at June 30, 2019.

**Interest Rate Risk**—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

### 3. RECEIVABLES

Major revenues accrued by the District at June 30, 2019 consisted of the following:

**Receivables**—Primarily represents amounts due from various sources for out-of-district tuition, commissions, substitute teaching reimbursement and other services provided. The District reports amounts of \$29,249 and \$111 in the General Fund and School Lunch Fund, respectively.

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2019 are presented as follows:

General Fund:

New York State Tuscarora tuition 18-19	\$ 1,610,364	
New York State excess cost aid	660,993	
New York State operating aid 17-18	3,843,620	
New York State operating aid 18-19	3,945,861	
BOCES aid	1,474,726	
General aid payment 18-19	275,856	
Foster students tuition and CSE costs	<u>148,970</u>	\$ 11,960,390

Special Aid Fund:

Federal Title I Grants to Local Educational Agencies	\$ 38,374	
New York State summer school	148,737	
New York State Special Education - Grants to States	46,292	
New York State Special Education - Preschool Grants	2,132	
School lunch equipment grant	13,335	
New York State Tuscarora elementary supplemental	97,210	
New York State Tuscarora secondary supplemental	68,039	
New York State teacher training program	2,284	
Universal Pre-K	2,564	
St. Mary's School for the Deaf	<u>143,965</u>	562,932

School Lunch Fund:

New York State aid	\$ 2,021	
Federal Aid	<u>60,171</u>	<u>62,192</u>
Total governmental funds		<u>\$ 12,585,514</u>

#### 4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2019 was as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated:				
Land	\$ 900,115	\$ -	\$ -	\$ 900,115
Construction in progress	1,265,526	5,874,746	296,832	6,843,440
Total capital assets, not being depreciated	<u>2,165,641</u>	<u>5,874,746</u>	<u>296,832</u>	<u>7,743,555</u>
Capital assets, being depreciated:				
Buildings and improvements	90,107,737	296,832	-	90,404,569
Land improvements	5,802,626	-	-	5,802,626
Furniture, equipment and vehicles	10,753,098	884,002	1,313,125	10,323,975
Total capital assets, being depreciated	<u>106,663,461</u>	<u>1,180,834</u>	<u>1,313,125</u>	<u>106,531,170</u>
Less accumulated depreciation for:				
Buildings and improvements	24,568,984	1,670,356	-	26,239,340
Land improvements	2,608,336	265,510	-	2,873,846
Furniture, equipment and vehicles	7,988,814	588,369	1,313,125	7,264,058
Total accumulated depreciation	<u>35,166,134</u>	<u>2,524,235</u>	<u>1,313,125</u>	<u>36,377,244</u>
Total capital assets being depreciated, net	<u>71,497,327</u>	<u>(1,343,401)</u>	<u>-</u>	<u>70,153,926</u>
Governmental activities capital assets, net	<u>\$ 73,662,968</u>	<u>\$ 4,531,345</u>	<u>\$ 296,832</u>	<u>\$ 77,897,481</u>

Depreciation expense was charged to the functions and programs of governmental activities as follows:

General Support	\$ 203,721
Instruction	1,833,485
Pupil transportation	487,029
Total	<u>\$ 2,524,235</u>

#### 5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2019, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salary and employee benefits	<u>\$ 228,133</u>	<u>\$ 5,431</u>	<u>\$ 6,832</u>	<u>\$ 240,396</u>

## 6. PENSION OBLIGATIONS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

### *Plan Descriptions and Benefits Provided*

**Teachers' Retirement System**—TRS 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. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS, 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 TRS's website at [www.nystrs.org](http://www.nystrs.org).

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. 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.

***Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At June 30, 2019, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2018 for TRS and March 31, 2019 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2017 and April 1, 2018, respectively, with update procedures used to rollforward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Net pension liability/(asset)	\$ (2,758,444)	\$ 1,729,871
District's portion of the Plan's total Net pension liability/(asset)	0.152547%	0.0244149%

For the year ended June 30, 2019, the District recognized pension expenses of \$2,106,412 and \$1,339,716 for TRS and ERS, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Difference between expected and actual experiences	\$ 2,061,363	\$ 340,648	\$ 373,393	\$ 116,123
Changes of assumptions	9,642,572	434,819	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	3,062,083	443,980
Changes in proportion and differences between the District's contributions and proportionate share of contributions	90,960	546,211	283,754	44,298
District contributions subsequent to the measurement date	<u>2,723,770</u>	<u>313,916</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,518,665</u>	<u>\$ 1,635,594</u>	<u>\$ 3,719,230</u>	<u>\$ 604,401</u>

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

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2020	\$ 2,730,474	\$ 542,759
2021	1,842,787	(193,147)
2022	163,563	73,593
2023	1,836,288	294,072
2024	1,240,590	-
Thereafter	261,963	-



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

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90%-4.72%	3.80%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.25%	2.50%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. 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, 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. 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.

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

Measurement date	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2018	March 31, 2019
Asset class:				
Domestic equities	33.0 %	36.0 %	5.8 %	4.6 %
International equities	16.0	14.0	7.3	6.4
Global equities	4.0	0.0	6.7	0.0
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Absolute return strategies	0.0	2.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global fixed income securities	2.0	0.0	0.9	0.0
High-yield fixed income securities	1.0	0.0	3.5	0.0
Opportunistic portfolio	0.0	3.0	0.0	5.7
Real assets	0.0	3.0	0.0	5.3
Bonds and mortgages	7.0	17.0	2.8	1.3
Cash	1.0	1.0	0.3	(0.3)
Private debt	1.0	0.0	6.8	0.0
Inflation-indexed bonds	0.0	4.0	0.0	1.3
Total	<u>100.0 %</u>	<u>100.0 %</u>		

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

**Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption**—The chart on the following page presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, 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 one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

TRs	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability/(asset)	\$ 18,950,961	\$ (2,758,444)	\$ (20,944,893)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 7,563,271	\$ 1,729,871	\$ (3,170,599)

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)	
	TRs	ERS
Valuation date	June 30, 2017	April 1, 2018
Employers' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension liability/(asset)	<u>\$ (1,808,264)</u>	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of total pension liability/(asset)	101.5%	96.3%

**Payables to the Pension Plan**—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 \$2,794,686.

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 \$313,916.

## 7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

**Plan Description**—In addition to pension benefits, the District pays for a portion of eligible retirees' health insurance, depending on the type of health plan provided in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District's contractual agreements.

**Employees Covered by Benefit Terms**—As of the July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	37
Active employees	<u>543</u>
Total	<u><u>580</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

**Total OPEB Liability**

The District’s total OPEB liability of \$6,930,384 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the July 1, 2018 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.56% as of July 1, 2017 to 3.62% effective June 30, 2018. The salary scale assumes an increase of 3.00% per year and was based on the District’s future expectations. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate for post-65 medical trend rates used is 6.00%, while the ultimate healthcare cost trend rate is 3.89%. Mortality rates were updated to rates based on the sex-distinct RP-2014 Mortality tables for employees and healthy annuitants.

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

**Changes in the Total OPEB Liability**—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 8,336,694</u>
Changes for the year:	
Service cost	409,056
Interest	302,876
Changes of assumptions	(19,117)
Differences between expected and actual experience	(1,623,153)
Benefit payments	<u>(475,972)</u>
Net changes	<u>(1,406,310)</u>
Balance at June 30, 2019	<u><u>\$ 6,930,384</u></u>

**Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate**—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability	\$ 6,914,769	\$ 6,930,384	\$ 6,815,616

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (6.00%) and ultimate (3.89%) healthcare cost trend rates.

	1% Decrease (5.00% / 2.89%)	Healthcare Cost Trend Rates (6.00% / 3.89%)	1% Increase (7.00% / 4.89%)
Net OPEB liability	\$ 6,521,758	\$ 6,930,384	\$ 7,299,236

**Funding Policy**—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental funds contributed \$475,972 for the fiscal year ended June 30, 2019. The District’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the bargaining units.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**—The District reports deferred outflows of resources and deferred inflows or resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the District’s deferred outflows and inflows of resources at June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,458,366
Changes of assumptions	-	123,532
Benefit payments subsequent to measurement date	350,691	-
Total	<u>\$ 350,691</u>	<u>\$ 1,581,898</u>

The District’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020. The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 160,599
2021	160,599
2022	160,599
2023	160,599
2024	160,599
Thereafter	778,903

## 8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; assessment challenges; theft of, damage to, and destruction of assets; and natural disasters. The District purchases commercial insurance to cover such potential risks. The liability insurance limits are as follows: Commercial property coverage with a blanket coverage, general liability coverage with a \$1,000,000 limit per occurrence, commercial automobile coverage with a combined single limit of \$1,000,000, School Board legal liability with a \$1,000,000 limit per occurrence and an aggregate limit of \$3,000,000, and excess liability coverage with a \$10,000,000 limit per occurrence.

There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any material settlements which have exceeded insurance coverage in the past three fiscal years.

The District participates in the Orleans-Niagara School Health Plan, a public entity risk pool. This plan is designed to provide health insurance coverage for participating entities.

The District has elected to discharge any liability to the New York State Unemployment Insurance Fund by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

**Workers’ Compensation**—The District has chosen to establish a self-insured plan for risks associated with employee workers’ compensation claims. The District accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs.

Claim activities for the current year and the prior year are:

<u>Fiscal Year</u> <u>Ended</u>	<u>Beginning</u> <u>Balance</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims Paid</u> <u>and Changes</u> <u>in Estimates</u>	<u>Ending</u> <u>Balance</u>
June 30, 2019	\$ 2,623,600	\$ 481,748	\$ 505,530	\$ 2,599,818
June 30, 2018	2,665,076	280,617	322,093	2,623,600

At June 30, 2019, the General Fund maintains a restricted fund balance in the amount of \$957,331 for the purpose of funding the District's future claim liabilities.

## 9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District's short-term debt for the fiscal year ended June 30, 2019 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2018	Issued	Redeemed	Balance 6/30/2019
Capital Projects Fund:						
Capital improvements	2.75%	3/25/2020	\$ -	\$ 11,000,000	\$ -	\$ 11,000,000
Total			\$ -	\$ 11,000,000	\$ -	\$ 11,000,000

## 10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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's outstanding long-term liabilities include serial bonds, energy performance contract, compensated absences, workers' compensation, other postemployment benefits ("OPEB") obligation and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities at June 30, 2019 follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Serial bonds	\$ 23,070,000	\$ -	\$ 5,090,000	\$ 17,980,000	\$ 3,805,000
Premium on serial bonds	1,397,014	-	316,969	1,080,045	301,598
Bonds payable, net	24,467,014	-	5,406,969	19,060,045	4,106,598
Capital lease	-	2,478,271	-	2,478,271	-
Compensated absences	5,924,434	1,081,562	750,667	6,255,329	312,766
Workers' compensation	2,623,600	481,748	505,530	2,599,818	510,054
OPEB obligation	8,336,694	711,932	2,118,242	6,930,384	-
Net pension liability*	761,295	968,576	-	1,729,871	-
Total	\$ 42,113,037	\$ 5,722,089	\$ 8,781,408	\$ 39,053,718	\$ 4,929,418

(\*Additions to the net pension liability are shown net of reductions.)

**Serial Bonds**—The District issues general obligation bonds to provide funds for the acquisition, construction and renovations of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 7 to 15 years. A summary of payments for the year ended June 30, 2019 is show below:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 7/1/2018	Additions	Payments	Balance 6/30/2019
2013 Serial Bonds	2013/2028	1.50-4.00	\$ 7,355,000	\$ -	\$ 660,000	\$ 6,695,000
Refunding Bonds - 2013	2012/2019	1.50-3.00	1,425,000	-	1,425,000	-
DASNY Refunding - 2013	2012/2026	5.00-5.50	2,760,000	-	290,000	2,470,000
Refunding Bonds - 2015	2015/2022	1.00-5.00	11,530,000	-	2,715,000	8,815,000
Total			<u>\$ 23,070,000</u>	<u>\$ -</u>	<u>\$ 5,090,000</u>	<u>\$ 17,980,000</u>

**Premiums on Serial Bonds**—Premiums on bond issuances are being amortized on a straight-line basis over the life of their respective bonds. The unamortized premium as of June 30, 2019 was \$1,080,045.

**Capital lease**—During the year ended June 30, 2019, the District entered into a capital lease, an energy performance contract, for the acquisition, construction and installation of various District energy efficiency improvements, in an effort to reduce energy costs. The energy performance contract carries an interest rate of 3.13% and is payable annually, with the final payment due on April 23, 2035. Total outstanding balance at June 30, 2019 was \$2,478,271.

The requirements of the capital lease are summarized below:

Year Ending June 30,	
2020	\$ 75,510
2021	208,220
2022	208,220
2023	208,220
2024	208,220
2025-2029	1,041,098
2030-2034	1,041,098
2035	208,217
Total minimum payments	3,198,803
Less: amount representing interest	(720,532)
Present value of minimum payments	<u>\$ 2,478,271</u>

The assets acquired through the energy performance contract are as follows:

Assets:	
Construction in progress	\$ 1,277,204



**Compensated Absences**—As explained in Note 1, the District records the value of compensated absences in the government-wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The amount recorded in the government-wide financial statements at June 30, 2019 for governmental activities is \$6,255,329. Management estimates that \$312,766 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. The annual budgets of the operating funds provide for these benefits as they become due.

**Workers' Compensation**—As explained in Note 8, the District is self-insured for risks associated with employee workers' compensation claims. The District's liability, as calculated by an independent third party administrator, is estimated to be \$2,599,818 as of June 30, 2019.

**OPEB Obligation**—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District's other postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB obligation is \$6,930,384 at June 30, 2019.

**Net Pension Liability**—The District reported a liability, \$1,729,871, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the District's net pension liability.

The following is a maturity schedule of the District's indebtedness:

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Energy Performance Contract	Compensated Absences	Workers' Compensation	OPEB Obligation	Net Pension Liability	Total
2020	\$ 3,805,000	\$ 301,598	\$ -	\$ 312,766	\$ 510,054	\$ -	\$ -	\$ 4,929,418
2021	3,935,000	301,598	131,795	-	-	-	-	4,368,393
2022	4,095,000	136,695	135,946	-	-	-	-	4,367,641
2023	1,070,000	81,725	140,227	-	-	-	-	1,291,952
2024	1,110,000	81,725	144,644	-	-	-	-	1,336,369
2025-2029	3,965,000	176,704	794,489	-	-	-	-	4,936,193
2030-2034	-	-	927,729	-	-	-	-	927,729
Thereafter	-	-	203,441	5,942,563	2,089,764	6,930,384	1,729,871	16,896,023
	<u>\$ 17,980,000</u>	<u>\$ 1,080,045</u>	<u>\$ 2,478,271</u>	<u>\$ 6,255,329</u>	<u>\$ 2,599,818</u>	<u>\$ 6,930,384</u>	<u>\$ 1,729,871</u>	<u>\$ 39,053,718</u>

Interest requirements on serial bonds payable and the energy performance contract are summarized in the table on the following page.

Year Ending June 30,	Serial Bonds	Energy Performance	
		Contract	Total
2020	\$ 714,301	\$ 75,510	\$ 789,811
2021	581,700	76,424	658,124
2022	410,650	72,274	482,924
2023	230,588	67,992	298,580
2024	191,488	63,575	255,063
2025-2029	313,152	246,609	559,761
2030-2034	-	113,367	113,367
2035	-	4,781	4,781
Total	<u>\$ 2,441,879</u>	<u>\$ 720,532</u>	<u>\$ 3,162,411</u>

## 11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category.
- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2019 includes:

- **Inventories**—Representing the portion of fund balance in the School Lunch Fund, \$31,424 composed of inventories. This balance is nonspendable as the inventories do not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2019 includes:

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Workers' compensation	\$ 957,333	\$ -	\$ -	\$ 957,333
Employee benefits	1,719,330	-	-	1,719,330
Retirement contribution	2,536,655	-	-	2,536,655
Capital projects	6,725,940	18,550	-	6,744,490
Transportation	4,194,266	-	-	4,194,266
Debt service	-	-	5,491,369	5,491,369
Total	<u>\$ 16,133,524</u>	<u>\$ 18,550</u>	<u>\$ 5,491,369</u>	<u>\$ 21,643,443</u>

- **Workers' Compensation**—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.
- **Employee Benefits**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Retirement Contribution**—According to General Municipal Law Section 6-r, this restriction must be used for financing retirement contributions. The restriction 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.
- **Capital Projects**—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- **Transportation**—Similar to the restriction for capital projects, according to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a transportation capital reserve fund requires authorization by a majority of the voters establishing the purpose of the restriction, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- **Debt Service**—Represents amounts within the Debt Service Fund resulting from contributions related to certain external agreements that are required to be used for capital project expenses or the debt service thereof.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2019, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2019 and include:

	General Fund	School Lunch Fund	Special Revenue Fund	Total
Encumbrances	\$ 787,734	\$ -	\$ 10,558	\$ 798,292
Subsequent year's expenditures	1,343,735	-	-	1,343,735
Specific purpose	-	145,735	66,131	211,866
Total	<u>\$ 2,131,469</u>	<u>\$ 145,735</u>	<u>\$ 76,689</u>	<u>\$ 2,353,893</u>

- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.
- **Assigned to Subsequent Year's Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2019-20 fiscal year.
- **Assigned for Specific Purpose**—Represents amounts related to the District's agreement with the New York State Power Authority and to maintain school lunch operations. The District has \$66,131 and \$145,735 of fund balance assigned for specific purpose in the Special Revenue Fund and School Lunch Fund, respectively, at June 30, 2019.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Business Administrator to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

## 12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short term in nature and exist because of temporary advances or payments made on behalf of other funds. Due to availability restrictions related to intergovernmental receivables from New York State certain interfund payables between the District and its blended component unit are not considered short term. The District considered the receivable associated with this item to be nonspendable. The composition of interfund balances as of June 30, 2019 are summarized below.

Fund	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 724,166	\$ -
Special Aid Fund	-	537,963
School Lunch Fund	-	20,784
Capital Projects Fund	5,047	106,445
Total governmental funds	<u>729,213</u>	<u>665,192</u>
Fiduciary Funds:		
Agency Fund	-	64,021
Total	<u>\$ 729,213</u>	<u>\$ 729,213</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

Fund	Transfers in:					Total
	General Fund	Special Aid Fund	School Lunch Fund	Capital Project Fund	Debt Service Fund	
Transfers out:						
General Fund	\$ -	\$ 100,896	\$ 72,282	\$ 96,830	\$ 5,977,763	\$ 6,247,771
Debt Service Fund	200,000	-	-	-	-	200,000
Total	<u>\$ 200,000</u>	<u>\$ 100,896</u>	<u>\$ 72,282</u>	<u>\$ 96,830</u>	<u>\$ 5,977,763</u>	<u>\$ 6,447,771</u>

Transfers are used primarily to finance certain special aid programs, provide funding for the school lunch program, to fund capital projects, to fund the purchase of equipment, and to finance long-term liabilities.

### 13. AGENCY FUND

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2019:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
<b>ASSETS</b>				
Restricted cash and cash equivalents	\$ 687,843	\$ 64,907,831	\$ 64,891,874	\$ 703,800
Due from other funds	-	38,318,265	38,318,265	-
Total assets	<u>\$ 687,843</u>	<u>\$ 103,226,096</u>	<u>\$ 103,210,139</u>	<u>\$ 703,800</u>
<b>LIABILITIES</b>				
Agency fund liabilities	\$ 498,778	\$ 38,833,859	\$ 38,806,106	\$ 526,531
Due to other funds	86,960	112,395	135,334	64,021
Extraclassroom activity balances	102,105	205,056	193,913	113,248
Total liabilities	<u>\$ 687,843</u>	<u>\$ 39,151,310</u>	<u>\$ 39,135,353</u>	<u>\$ 703,800</u>

### 14. LABOR RELATIONS

District employees are represented by three bargaining units with the balance governed by Board of Education rules and regulations. The Niagara Wheatfield Administrators Association contract is in place through June 30, 2021, the Niagara Wheatfield School Related Personnel Association contract was negotiated through June 30, 2020, and the Niagara Wheatfield Teachers Association contract is in place through June 30, 2022.

## 15. COMMITMENTS

**Encumbrances**—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$100,000. As of June 30, 2019, the significant encumbrances of the District are shown below:

Description	Amount
General Fund-Contractual payments	\$ 344,017

## 16. TAX ABATEMENTS

The District is subject to programs entered into by Niagara County Industrial Development Agency (“NCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the NCIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the NCIDA incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$4,171,389. However, during 2019 the District collected \$1,565,380 related to these new incentivized projects.

## 17. CONTINGENCIES

**Litigation**—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

**Grants**—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

**Other**—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operations.

## 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 2, 2019, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION





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**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)—**  
**Teachers' Retirement System**  
**Last Six Fiscal Years\***

	<b>Year Ended June 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability (asset)	0.152547%	0.148638%	0.147937%	0.147638%	0.152165%	0.152186%
District's proportionate share of the net pension liability (asset)	<u>\$ (2,758,444)</u>	<u>\$ (1,129,793)</u>	<u>\$ 1,584,472</u>	<u>\$ (15,334,899)</u>	<u>\$ (16,950,243)</u>	<u>\$ (1,001,766)</u>
District's covered payroll	\$ 24,848,123	\$ 23,554,161	\$ 22,828,235	\$ 23,378,113	\$ 23,515,147	\$ 22,788,478
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(11.1%)	(4.8%)	6.7%	(65.6%)	(72.1%)	(4.4%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

\*Information prior to the year ended June 30, 2014 is not available.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of District Contributions—**  
**Teachers' Retirement System**  
**Last Six Fiscal Years\***

	<b>Year Ended June 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,435,116	\$ 2,760,548	\$ 3,027,024	\$ 3,887,673	\$ 3,652,538	\$ 2,639,359
Contributions in relation to the contractually required contribution	(2,435,116)	(2,760,548)	(3,027,024)	(3,887,673)	(3,652,538)	(2,639,359)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 26,346,775	\$ 24,848,123	\$ 23,554,161	\$ 22,828,235	\$ 23,378,113	\$ 23,515,147
Contributions as a percentage of covered payroll	9.2%	11.1%	12.9%	17.0%	15.6%	11.2%

\*Information prior to the year ended June 30, 2014 is not available.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the Net Pension Liability—**  
**Employees' Retirement System**  
**Last Six Fiscal Years\***

	<b>Year Ended June 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0244149%	0.0235882%	0.0241841%	0.0249604%	0.0271952%	0.0271952%
District's proportionate share of the net pension liability (asset)	<u>\$ 1,729,871</u>	<u>\$ 761,295</u>	<u>\$ 2,272,389</u>	<u>\$ 4,006,207</u>	<u>\$ 918,722</u>	<u>\$ 1,228,915</u>
District's covered payroll	\$ 8,422,967	\$ 8,226,689	\$ 7,852,383	\$ 7,716,218	\$ 7,673,875	\$ 7,780,520
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.5%	9.3%	28.9%	51.9%	12.0%	15.8%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

\*Information prior to the year ended June 30, 2014 is not available.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of District Contributions—**  
**Employees' Retirement System**  
**Last Six Fiscal Years\***

	<b>Year Ended June 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,215,837	\$ 1,187,778	\$ 1,191,873	\$ 1,293,863	\$ 1,412,637	\$ 1,404,818
Contributions in relation to the contractually required contribution	<u>(1,215,837)</u>	<u>(1,187,778)</u>	<u>(1,191,873)</u>	<u>(1,293,863)</u>	<u>(1,412,637)</u>	<u>(1,404,818)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,659,798	\$ 8,294,352	\$ 8,236,889	\$ 7,771,396	\$ 7,647,821	\$ 7,780,520
Contributions as a percentage of covered payroll	14.0%	14.3%	14.5%	16.6%	18.5%	17.9%

\*Information prior to the year ended June 30, 2014 is not available.

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**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
**Last Two Fiscal Years\***

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 409,056	\$ 428,181
Interest	302,876	246,050
Changes of assumptions	(19,117)	(133,452)
Differences between expected and actual experience	(1,623,153)	-
Benefit payments	<u>(475,972)</u>	<u>(404,543)</u>
Net changes in total OPEB liability	<u>(1,406,310)</u>	<u>136,236</u>
Total OPEB liability—beginning	<u>8,336,694</u>	<u>8,200,458</u>
Total OPEB liability—ending	<u>\$ 6,930,384</u>	<u>\$ 8,336,694</u>
<b>Plan fiduciary net position</b>		
Contributions—employer	\$ 475,972	\$ 404,543
Benefit payments	(475,972)	(404,543)
Net change in plan fiduciary net position	-	-
Total fiduciary net position—beginning	-	-
Total fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
<b>District's net OPEB liability—ending</b>	<u>\$ 6,930,384</u>	<u>\$ 8,336,694</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered employee payroll	n/a	n/a
District's net OPEB liability as a percentage of covered employee payroll	0.0%	0.0%

\*Information prior to the year ended June 30, 2018 is not available.

The notes to the required supplementary information are an integral part of this schedule.



**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Real property taxes and other tax items	\$ 34,706,458	\$ 34,706,458	\$ 34,599,431	\$ (107,027)
Charges for services	1,175,000	1,175,000	2,394,678	1,219,678
Use of money and property	24,000	24,000	281,707	257,707
Sale of property and compensation for loss	66,000	66,000	276,768	210,768
Miscellaneous	208,000	212,493	714,372	501,879
State sources:				
Basic formula	29,633,491	29,633,491	24,943,304	(4,690,187)
Lottery	-	-	4,993,546	4,993,546
Board cooperative education	2,719,032	2,719,032	2,903,293	184,261
Textbooks	228,340	228,340	228,923	583
Computer software/hardware	110,937	110,937	130,654	19,717
Library loan program	26,056	26,056	26,000	(56)
Federal sources:				
Impact Aid	250,000	250,000	651,539	401,539
Medicaid assistance	100,000	100,000	217,466	117,466
Total revenues	<u>69,247,314</u>	<u>69,251,807</u>	<u>72,361,681</u>	<u>3,109,874</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	200,000	200,000
Appropriated reserves	1,350,000	1,350,000	-	(1,350,000)
Total other financing sources	<u>1,350,000</u>	<u>1,350,000</u>	<u>200,000</u>	<u>(1,150,000)</u>
Total revenues and other financing sources	<u>\$ 70,597,314</u>	<u>\$ 70,601,807</u>	<u>\$ 72,561,681</u>	<u>\$ 1,959,874</u>

(continued)

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP Basis) and Actual—General Fund**  
**Year Ended June 30, 2019**

(concluded)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>			
<b>EXPENDITURES</b>					
General support:					
Board of Education	\$ 34,820	\$ 53,460	\$ 44,073	\$ -	\$ 9,387
Central administration	221,479	241,557	237,376	-	4,181
Finance	456,315	466,005	430,283	973	34,749
Staff	442,617	448,234	347,489	32,560	68,185
Central services	6,123,333	6,047,706	4,885,582	393,878	768,246
Special items	835,660	841,505	681,727	-	159,778
Instruction:					
Instruction, administration and improvement	1,988,627	2,070,406	1,830,867	9,128	230,411
Teaching—regular school	20,913,670	21,850,234	20,679,253	165,987	1,004,994
Programs for pupils with handicapping conditions	8,914,350	8,637,046	7,854,125	10,000	772,921
Occupational education	1,658,740	1,666,687	1,655,063	-	11,624
Teaching—special schools	90,246	96,840	87,317	-	9,523
Instructional media	1,078,195	1,030,865	840,627	14,082	176,156
Pupil services	2,676,638	2,666,597	2,524,293	500	141,804
Pupil transportation	4,911,248	5,005,523	4,627,079	1,233	377,211
Employee benefits	<u>16,792,820</u>	<u>16,009,690</u>	<u>14,781,219</u>	<u>144,018</u>	<u>1,084,453</u>
Total expenditures/encumbrances	67,138,758	67,132,355	61,506,373	772,359	4,853,623
<b>OTHER FINANCING SOURCES</b>					
Transfers out	<u>6,372,763</u>	<u>6,383,659</u>	<u>6,175,489</u>	<u>-</u>	<u>208,170</u>
Total expenditures/encumbrances and other financing uses	<u>73,511,521</u>	<u>73,516,014</u>	<u>67,681,862</u>	<u>772,359</u>	<u>5,061,793</u>
Net change in fund balances*	(2,914,207)	(2,914,207)	4,879,819		
Fund balance—beginning	<u>24,135,280</u>	<u>24,135,280</u>	<u>24,135,280</u>		
Fund balance—ending	<u>\$ 21,221,073</u>	<u>\$ 21,221,073</u>	<u>\$ 29,015,099</u>		

\*The net change in fund balances was included as an appropriation (i.e. spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended June 30, 2019**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which increased from 3.56% as of July 1, 2017 to 3.62% at June 30, 2018. Mortality rates were updated to rates based on the RP-2014 mortality rates. Finally, the healthcare cost trend rate has an initial rate of 6.00% decreasing to an ultimate rate of 3.89%.

**2. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, School Lunch, Special Revenue and Debt Service funds. Appropriation limits, where applicable, for the Special Aid Fund, Special Purpose Fund and Debt Service Fund are maintained based on individual grants and donations, fundraising revenues accepted by the Board of Education or debt schedules. The periods of such grants may vary from the District’s fiscal year. A budget is maintained for the School Lunch Fund and Special Revenue funds as a management tool for internal control purposes. The Tuscarora Indian School prepares a proposed budget for the Tuscarora Indian Education Fund requiring approval by the New York State Native American Unit. As such a reconciliation of the ending fund balance on the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) to the actual—General Fund to the ending fund balance on Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds as follows:

Ending fund balance—Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund	\$ 29,015,099
Tuscarora Indian School deficit fund balance	<u>(8,058,472)</u>
Ending fund balance—Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	<u>\$ 20,956,627</u>

The appropriated budget is prepared by fund, function, and department. The District’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

## SUPPLEMENTARY INFORMATION



**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit—General Fund**  
**Year Ended June 30, 2019**

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**Change from Adopted Budget to Final Budget**

Adopted budget 2018-2019	\$	72,179,915
Add: Prior year's encumbrances		<u>1,331,606</u>
Original budget 2018-2019		73,511,521
Budget revisions:		
Donations		<u>4,493</u>
Final budget 2018-2019	\$	<u><u>73,516,014</u></u>

**Section 1318 of Real Property Tax Law Limit Calculation**

2019-2020 voter approved expenditure budget	\$	<u>74,400,000</u>	
Maximum allowed (4% of 2019-2020 budget)			<u>\$ 2,976,000</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law\*:

Unrestricted fund balance:			
Assigned fund balance	\$	2,131,469	
Unassigned fund balance		<u>2,691,634</u>	
Total unrestricted fund balance			4,823,103
Less:			
Appropriated fund balance	\$	1,343,735	
Encumbrances included in assigned fund balance		<u>787,734</u>	
Total adjustments			<u>2,131,469</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law	\$	<u>2,691,634</u>	
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Actual percentage		3.62%
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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, minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Capital Project Expenditures**  
**Year Ended June 30, 2019**

<b>Project Title</b>	<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b>Expenditures</b>		<b>Total Project Expenditures</b>	<b>Unexpended Balance</b>
			<b>Prior Years</b>	<b>Current Year</b>		
Phase II - 2016 Capital Project	\$ 13,622,694	\$ 13,233,079	\$ 959,788	\$3,884,184	\$ 4,843,972	\$ 8,389,107
Phase III - 2016 Capital Project	-	607,570	49,237	409,726	458,963	148,607
Phase I & II- 2020 Capital Project	30,000,000	30,000,000	-	118,523	118,523	29,881,477
Energy Performance Contract	2,478,271	2,478,271	-	1,289,939	1,289,939	1,188,332
Capital Outlay 2016-2017	100,000	100,000	95,247	4,753	100,000	-
Capital Outlay 2017-2018	100,000	100,000	95,196	4,804	100,000	-
Capital Outlay 2018-2019	100,000	100,000	-	96,830	96,830	3,170
Smart Schools	2,007,464	2,007,464	50,421	7,997	58,418	1,949,046
Steig Parking Lot	635,000	635,000	15,637	8,016	23,653	611,347
Decton Unit	400,000	400,000	-	49,974	49,974	350,026
	<u>\$ 49,443,429</u>	<u>\$ 49,661,384</u>	<u>\$ 1,265,526</u>	<u>\$ 5,874,746</u>	<u>\$ 7,140,272</u>	<u>\$ 42,521,112</u>

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Net Investment in Capital Assets**  
**June 30, 2019**

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Capital assets, net of accumulated depreciation		\$ 77,897,481
Add:		
Unspent debt proceeds	\$ 8,537,714	
Deferred charge on refunding	<u>338,609</u>	8,876,323
Deduct:		
Serial bonds	\$ (17,980,000)	
Energy performance contract	(2,478,271)	
Premiums on bonds payable	(1,080,045)	
Bond anticipation notes payable	<u>(11,000,000)</u>	<u>(32,538,316)</u>
Net investment in capital assets		<u>\$ 54,235,488</u>



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## OTHER INFORMATION



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**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Combining Balance Sheet—General Fund And**  
**Tuscarora Indian Education Fund**  
**June 30, 2019**

	<b>General</b>	<b>Tuscarora Indian Education</b>	<b>Elimination</b>	<b>Combined</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,293,885	\$ -	\$ -	\$ 5,293,885
Restricted cash and cash equivalents	16,133,524	10,564	-	16,144,088
Receivables	29,249	-	-	29,249
Due from other funds	8,763,199	3,759	(8,042,792)	724,166
Intergovernmental receivables	4,170,909	7,789,481	(7,789,481)	4,170,909
Intergovernmental receivables-Tuscarora	-	-	7,789,481	7,789,481
Total assets	<u>\$ 34,390,766</u>	<u>\$ 7,803,804</u>	<u>\$ (8,042,792)</u>	<u>\$ 34,151,778</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 445,850	\$ 12,721	\$ -	\$ 458,571
Accrued liabilities	210,851	17,282	-	228,133
Due to other funds	-	8,042,792	(8,042,792)	-
Due to retirement systems	3,108,602	-	-	3,108,602
Total liabilities	<u>3,765,303</u>	<u>8,072,795</u>	<u>(8,042,792)</u>	<u>3,795,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues-State aid receivable	1,610,364	7,789,481	-	9,399,845
Total deferred inflows of resources	<u>1,610,364</u>	<u>7,789,481</u>	<u>-</u>	<u>9,399,845</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	7,789,481	-	(7,789,481)	-
Restricted	16,133,524	-	-	16,133,524
Assigned	2,116,094	15,375	-	2,131,469
Unassigned	2,976,000	(8,073,847)	7,789,481	2,691,634
Total fund balances (deficit)	<u>29,015,099</u>	<u>(8,058,472)</u>	<u>-</u>	<u>20,956,627</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 34,390,766</u>	<u>\$ 7,803,804</u>	<u>\$ (8,042,792)</u>	<u>\$ 34,151,778</u>

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit)—**  
**General Fund And Tuscarora Indian Education Fund**  
**June 30, 2019**

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	<b>General</b>	<b>Tuscarora Indian Education</b>	<b>Elimination</b>	<b>Combined</b>
<b>REVENUES</b>				
Real property taxes and other tax items	\$ 34,599,431	\$ -	\$ -	\$ 34,599,431
Charges for services	2,394,678	-	-	2,394,678
Use of money and property	281,707	9	-	281,716
Sale of property and compensation for loss	276,768	-	-	276,768
Miscellaneous	714,372	-	-	714,372
State sources	33,225,720	569,686	-	33,795,406
Federal sources	869,005	-	-	869,005
Total revenues	<u>72,361,681</u>	<u>569,695</u>	<u>-</u>	<u>72,931,376</u>
<b>EXPENDITURES</b>				
Current:				
General support	6,626,530	992,370	-	7,618,900
Instruction	35,471,545	2,303,755	-	37,775,300
Pupil transportation	4,627,079	-	-	4,627,079
Employee benefits	14,781,219	1,147,148	-	15,928,367
Total expenditures	<u>61,506,373</u>	<u>4,443,273</u>	<u>-</u>	<u>65,949,646</u>
Excess (deficiency) of revenues over expenditures	<u>10,855,308</u>	<u>(3,873,578)</u>	<u>-</u>	<u>6,981,730</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	200,000	-	-	200,000
Transfers out	<u>(6,175,489)</u>	<u>(72,282)</u>	<u>-</u>	<u>(6,247,771)</u>
Total other financing sources (uses)	<u>(5,975,489)</u>	<u>(72,282)</u>	<u>-</u>	<u>(6,047,771)</u>
Net change in fund balances (deficit)	4,879,819	(3,945,860)	-	933,959
Fund balances (deficit)—beginning	<u>24,135,280</u>	<u>(4,112,612)</u>	<u>-</u>	<u>20,022,668</u>
Fund balances (deficit)—ending	<u>\$ 29,015,099</u>	<u>\$ (8,058,472)</u>	<u>\$ -</u>	<u>\$ 20,956,627</u>

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FEDERAL AWARDS  
INFORMATION





**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

<b>Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass Through Entity's Identifying Number (1c)</b>	<b>Passed- Through to Subrecipients</b>	<b>Federal Expenditures (1d)</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	n/a	\$ -	\$ 211,966
National School Lunch Program	10.555	n/a	-	590,285
Total Child Nutrition Cluster			-	802,251
National School Lunch Program Equipment Assistance	10.579	0005-18-0010	-	13,341
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			-	815,592
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	021-19-1960	-	577,844
Title I Grants to Local Educational Agencies	84.010	021-18-1960	-	8,293
Title I Grant to Local Educational Agencies, School Improvement	84.010A	0011-19-2142	-	7,759
Total Title I Grants to Local Educational Agencies			-	593,896
Special Education Cluster:				
Special Education—Grants to States	84.027	032-19-0607	-	845,780
Special Education—Preschool Grants	84.173	033-19-0607	-	30,065
Total Special Education Cluster			-	875,845
Impact Aid	84.041	N/A	-	651,539
Supporting Effective Instruction State Grant	84.367	0147-19-1960	-	55,632
Supporting Effective Instruction State Grant	84.367	0147-18-1960	-	11,562
Total Supporting Effective Instruction State Grant			-	67,194
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			-	2,188,474
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>			\$ -	\$ 3,004,066

The notes to this schedule of expenditures of federal awards are an integral part of this schedule.

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Niagara Wheatfield Central School District, New York ( the "District") under programs of federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the schedule:

- a) Includes all federal award programs of the Niagara Wheatfield Central School District, New York.
- b) Source: Catalog of Federal Domestic Assistance
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for the District's 2018-2019 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 3,004,066
Medicaid reimbursement	<u>217,466</u>
Total Federal Sources per financial statements	<u>\$ 3,221,532</u>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2019, the District used \$22,310 worth of commodities.

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Certified Public Accountants

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

The Board of Education  
Niagara Wheatfield Central School District, New York:

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niagara Wheatfield Central School District, New York (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 2, 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.

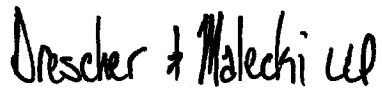
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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



October 2, 2019

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education  
Niagara Wheatfield Central School District, New York:

**Report on Compliance for Each Major Federal Program**

We have audited the Niagara Wheatfield Central School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("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***

The District's management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 ("CFR") 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 District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the 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 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 as a basis for designing 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Drescher & Malecki LLP*

October 2, 2019

**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued:		Unmodified*
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

**Federal Awards:**

Internal control over major federal programs:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs?		\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No

**Section II. FINANCIAL STATEMENT FINDINGS SECTION**

No findings noted.

**Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.



**NIAGARA WHEATFIELD CENTRAL SCHOOL DISTRICT, NEW YORK**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2019**  
**(Follow-up on June 30, 2018 Findings)**

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No findings were reported.

**APPENDIX C**  
**Form of Legal Opinion**

September 2, 2020

The Board of Education of the  
Niagara Wheatfield Central School District,  
in the County of Niagara, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Niagara Wheatfield Central School District, (the “School District”), in the County of Niagara, a school district of the State of New York and have examined a record of proceedings relating to the authorization, sale and issuance of the \$10,000,000 Bond Anticipation Note-2020 (the “Note”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

**APPENDIX D**  
**UNDERTAKING TO PROVIDE NOTICES OF EVENTS**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **Niagara Wheatfield Central School District**, in the County of Niagara, a School District of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the School Board as of September 2, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$10,000,000 Bond Anticipation Note-2020, dated September 2, 2020, maturing on June 29, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;

- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, 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 Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no

person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 2, 2020**.

**NIAGARA WHEATFIELD CENTRAL SCHOOL  
DISTRICT**

By \_\_\_\_\_  
President of the Board of Education



