

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2021**

**NEW/RENEWAL ISSUE**

**BOND ANTICIPATION NOTES**

*In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under the existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain tax certifications described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended. Bond Counsel is also of the opinion that the interest on the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "TAX EXEMPTION" herein.*

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

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
CATTARAUGUS COUNTY, NEW YORK  
(the "District" or "School District")**

**\$8,140,000 Bond Anticipation Notes, 2021A  
(the "Notes")  
(Designated/Bank Qualified)**

**Dated: June 23, 2021**

**Due: June 23, 2022**

*Security and Source of Payment:* 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. Unless paid from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York). See "TAX LEVY LIMITATION LAW" herein.

*Prior Redemption:* The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

*Form and Denomination:* The Notes will be issued as registered notes and, at the option of the initial purchaser(s), may be registered to the Depository Trust Company ("DTC" or the "Securities Depository"), or may be registered in the name of the initial purchaser(s).

To the extent that the Notes are issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. In such event, individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof as may be determined by such successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payment of the principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "DESCRIPTION OF THE NOTES - Book-Entry-Only System" herein.

To the extent that the Notes are registered in the name of the initial purchaser (s), principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denomination of \$5,000, or integral multiples thereof as may be determined by such successful bidder(s).

Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

*The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, and certain other conditions. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey (through the facilities of DTC) or at such other place as may be agreed with the purchaser(s) on or about June 23, 2021.*

**Facsimile or telephone bids will be received THURSDAY, June 10, 2021 until 10:00 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 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. UNLESS THE NOTES ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE DISTRICT WILL ENTER INTO AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN DESIGNATED EVENTS, AS REQUIRED BY THE RULE (SEE "DISCLOSURE UNDERTAKING," HEREIN).

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
CATTARAUGUS COUNTY, NEW YORK**

School District Officials

**2020-21 BOARD OF EDUCATION**

Robert Van Wicklin - President  
William Murphy - Vice President

Shana Chudy  
Debra Golley  
Karl Northrup  
Leonard Zlockie  
Erin Cornelius

.....

Robert Miller - Superintendent  
Melissa Sawicki – School District Clerk  
Aimee Kilby – School Business Executive

.....

School District Attorney

Hodgson Russ LLP

**BOND COUNSEL**

**Hodgson Russ LLP**

**MUNICIPAL ADVISOR**



**R. G. Timbs, Inc.**

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

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## OFFICIAL STATEMENT

of the

### ELLICOTTVILLE CENTRAL SCHOOL DISTRICT CATTARAUGUS COUNTY, NEW YORK

#### Relating To **\$8,140,000 Bond Anticipation Notes, 2021A**

This Official Statement, which includes the cover page, has been prepared by the Ellicottville Central School District, Cattaraugus County, New York (the “District” or “School District”, “County” and “State,” respectively) in connection with the sale by the District of its \$8,140,000 Bond Anticipation Notes, 2021A (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’s 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.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District’s management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff.

**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 worldwide event, the effects of which are extremely difficult to predict and quantify. See “COVID-19” herein.**

## DESCRIPTION OF THE NOTES

The Notes are dated June 23, 2021 and mature, without option of prior redemption, on June 23, 2022. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes are general obligations of the District and will contain a pledge of its faith and credit of the District for payment of the principal of and interest on the Notes, as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). Unless paid for from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, sufficient to pay such principal and interest as the same become due without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. See “TAX LEVY LIMITATION LAW,” herein.

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), with DTC acting as securities depository for the Notes. See

“Book-Entry-Only System,” herein. Under the DTC scenario, one fully registered note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (federal funds) by the District directly to DTC for its nominee, Cede & Co.

The financial condition of the District as well as the market for the Notes could be affected a variety of factors, some of which are beyond the control of the District. See “MARKET AND RISK FACTORS” herein.

## **Purpose and Authorization**

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law, and pursuant to a bond resolution that was duly adopted by the District’s Board of Education on January 14, 2020 authorizing the issuance of up to \$8,400,000 for financing the reconstruction and renovation of, and the construction of improvements and upgrades to, various District buildings and facilities (and the sites thereof).

Proceeds of the Notes, along with \$260,000 of available funds of the District, will be used to redeem and renew, in part, an outstanding bond anticipation note of the District that was issued on April 8, 2021 and provide \$6,400,000 in new money for the aforementioned purpose.

## **Book-Entry-Only System**

The following is relevant only if the Notes are issued in book-entry form. DTC will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, only if requested by the purchaser prior to the initial issuance of the 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 security 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 the 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 or 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

*Source: The Depository Trust Company*

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

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY

RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

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

### **Certificated Notes**

At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be in federal funds at such bank or trust company located and authorized to do business in the State as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof as may be determined by such bidder(s).

### **Security and Source of Payment**

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

The Notes are general obligation of the District will contain a pledge of the faith and credit of the District for the payment of the principal of and 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 of the taxable real property in the District without limitation as to rate or amount, subject to certain statutory limitation imposed by Chapter 97 of the 2011 Laws of New York. See "TAX LEVY LIMITATION LAW," herein.

Under the State Constitution, the District is required to pledge its faith and credit for the payment of 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 property therefor. See the discussion under "TAX LEVY LIMITATION LAW," herein.

### **Remedies of Noteholders on Default**

Section 99-b of the State Finance Law ("SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes, and provides that it will not repeal, revoke or rescind the provisions of Section 99-b of SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district

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

Under current law, provision is made for contract creditors (including holders of the Notes) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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 judgement, although judicia mandates have been issued to officials to appropriate and pay judgements out of current funds or the proceeds of a tax levy.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require exercise by the State of its emergency police power to assure the continuation of essential public service.

### **Special Provisions Affecting Remedies Upon Default**

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgement or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

In accordance with a general rule with respect to municipalities, judgements against the District may not be enforced to levy and execution against property owned by the District.

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

Under the Bankruptcy Code, a petition may be filed in federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The District has legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal debt service payments made by the District within 90 days of the District filing a bankruptcy petition were voidable preferences. In the event these assertions were made



and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on action to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violated the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authoring any county, 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 ever been declared with respect to the District.

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

## **THE SCHOOL DISTRICT**

### **General Information**

The School District covers approximately 115 square miles in the Towns of East Otto, Ellicottville, Franklinville, Great Valley, Humphrey and Mansfield in the County. The School District was formed when Great Valley and Ellicottville school districts were centralized in 1948. Located primarily in central Cattaraugus County, it is approximately 50 miles south of Buffalo. The School District is served by New York State Route 219. Bus service is available in Olean and air transportation is available in Jamestown. Larger commercial air transportation is available in Buffalo.

The School District is primarily recreational in nature with golf and skiing at Holiday Valley Resort (public) and the Holimont Resort (private); Allegany State Park and the Kinzua Reservoir offer camping, hunting, fishing, swimming and boating facilities, as well as trails for hiking, biking and cross-country skiing. Specifically, the ski season consistently draws people from Ohio, Pennsylvania and Canada, as well as Western and Central New York.

Water and sewer services are provided by the individual municipal systems, as well as by private wells and septic systems. Electricity is provided by National Grid and natural gas is provided by National Fuel. Police protection is provided by the County Sheriff's Department and the New York State Police. Fire protection and ambulance services are provided by various volunteer organizations.

The School District provides public education for grades PreK-12. The colleges and universities in Jamestown, Fredonia, Olean, Allegany and Buffalo provide higher education and cultural opportunities.

Residents of the School District are afforded all the usual commercial services in the Village of Ellicottville. Five Star Bank and Manufacturers and Traders Trust Company have offices in the Village of Ellicottville.

### **District Population**

The 2019 population of the School District is estimated to be 3,273. (Source: 2019 U.S. Census Bureau estimate)

## Economic Developments

Solar developer, Omni Navitas Renewables LLC, has undertaken initial discussions with the Town of Otto regarding the development of three solar fields; however, no definitive steps have been taken as of the date of this Official Statement.

### 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 Village, Towns and County listed below. The Figures set below with respect to such Village, Towns, County and State are included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Village, Towns, County 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>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
Village Of:						
Ellicottville	\$22,348	\$35,472	\$37,898	\$43,750	\$53,281	\$79,750
Towns Of:						
East Otto	15,607	19,291	30,428	42,917	50,673	69,211
Ellicottville	23,291	24,788	37,967	50,813	56,188	80,156
Franklinville	14,035	18,299	22,848	37,250	49,375	54,750
Great Valley	17,749	23,886	30,625	42,209	54,583	70,313
Humphrey	16,874	20,323	27,308	35,795	50,859	61,667
Mansfield	21,700	29,641	29,694	37,500	61,429	82,875
County of:						
Cattaraugus	15,959	20,824	25,822	39,318	51,227	61,002
State Of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

Note: 2016-2020 American Community Survey Estimates are not available as of the date of this Official Statement

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2015-2019 American 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>
Ellicottville Elementary School	PK-5	1988	407	2015
Ellicottville Middle/High School	6-12	1960	700	2015

Source: District Official

## District Employees

The District employs a total of 105 full-time and 8 part-time employees with representation by the various bargaining units listed below:

Bargaining Unit	Employees	Expiration Date
Ellicottville Teachers' Association	65	6/30/2020*
Ellicottville Related Professional Association	44	6/30/2022

\*Under Negotiation

Source: District Officials

## Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2016-17	646	2021-22	610
2017-18	650	2022-23	615
2018-19	642	2023-24	623
2019-20	615	2024-25	620
2020-21	623	2025-26	630

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 2020-21 and 2021-22 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	\$196,597	\$739,769
2016-2017	173,000	533,000
2017-2018	200,000	450,000
2018-2019	189,000	497,000
2019-2020	181,000	423,000
2020-2021 (Budgeted)	184,443	484,000
2021-2022 (Budgeted)	200,402	490,000

Source: District records

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

**Historical Trends and Contribution Rates** – Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement Systems 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 (2017 to 2021) is show below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2016-2017	15.5	11.72
2017-2018	15.3	9.80
2018-2019	14.9	10.62
2019-2020	14.6	8.86
2020-2021	14.6	9.53

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period; but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the 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 allowed school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve as of March 30, 2021.

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, 2019 and financial data as of June 30, 2020, the School District's beginning year total OPEB liability was \$200,455 and the net change for the year was (\$621) resulting in a total OPEB liability of \$199,834 for the fiscal year ending June 30, 2020. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2020 financial statements.

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

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

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

### Major Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
Holiday Valley (Win-Sum Corp.)	Ski Resort	700 <sup>1</sup>
Holimont, Inc.	Ski Resort	300 <sup>1</sup>
Ellicottville Central School District	Public Education	111
Fitzpatrick & Weller, Inc.	Lumber Company	90
Northrup Construction	Pipe & Utility Installations	32

Note: 1 Includes seasonal employees.

Source: District Officials

### Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is the County of Cattaraugus. 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 Counties or vice versa.

<u>Year</u>	<u>Cattaraugus County Unemployment Rate</u>	<u>New York State Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2016	6.1%	4.9%	4.9%
2017	6.2%	4.6%	4.4%
2018	5.3%	4.1%	3.9%
2019	4.8%	3.8%	3.7%
2020	9.4%	10.0%	N/A

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

	<u>2020-2021 Monthly Figures</u>											
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Cattaraugus	13.5%	12.4%	9.3%	6.0%	5.6%	6.0%	6.7%	7.6%	7.9%	7.2%	N/A	N/A
New York State	14.8%	14.8%	11.6%	9.9%	8.3%	8.3%	8.5%	9.4%	9.7%	8.4%	7.8%	N/A

Note: Figures in this section are historical and do not speak as to current or projected unemployment rates. Unemployment drastically increased in the period immediately following mid-March 2020 due to COVID-19 global pandemic, although it has since generally begun decreasing. See "COVID-19" herein.

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

## **Investment Policy**

Pursuant to the statutes of the State of New York, the School District is permitted to invest only in the following investments: (1) special time deposit accounts in, certificates of deposit issued by or a deposit placement program (as provided by statute) with a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) obligations issued pursuant to Local Finance Law Sections 24.00 (tax anticipation notes) or 25.00 (revenue anticipation notes) with approval of the State Comptroller, by any municipality, school district or district corporation other than those notes issued by the School District itself; and (6) in the case of the School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, an eligible letter of credit or an eligible surety bond, as each such term is defined in the law, or satisfy the statutory requirements of the deposit placement program.

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the School District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third-party custodian. The School District is not authorized by State Law to invest in reverse repurchase agreements or similar derivative-type investments.

## **Form of School Government**

The Board of Education (the "Board") which is the policy-making body of the School District consists of seven members with overlapping three-year terms so that as nearly as possible, an equal number is elected to the Board each year. Each Board member must be a qualified voter of the School District and no Board member may hold other School District offices or positions while serving on the Board. The President and the Vice President are selected by the Board members.

The Board appoints the Superintendent of Schools, who serves under a written contract which, by statute, must be of no less than three and no more than five years in duration. Such Superintendent is the chief executive officer of the District. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities, under the direction of the Board. Certain other administrative and financial duties are performed by the School Business Executive, who is appointed by the Board.

## **Budgetary Procedures**

Pursuant to the Education Law, the Board 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 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 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 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. 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 158 to 20. 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 by a vote of 547 to 100. The School District's 2020-21 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011. Due to COVID-19 and pursuant to an Executive Order issued by Governor Andrew Cuomo, voting was done by absentee ballots and all ballots were counted as of June 16, 2020.

The budget for the 2021-22 fiscal year was adopted by the qualified voters on May 18, 2021. The School District's 2021-22 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The State's 2018-19 Enacted Budget included a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid was 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 expanded to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement applied 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, is authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this legislation, the School District will be required to annually report its budgeted support for individual schools beginning with the 2020-21 fiscal year.

## **State Aid**

The District receives appropriations from the State. In its adopted budget for the 2020-21 fiscal year, approximately 32.58% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

The amount of State aid to school districts is dependent in part upon the financial condition of the State. The City of New York was an early epicenter of the COVID-19 pandemic in the United State, and as a result the State suffered significant

revenue shortfalls and unanticipated expenses beginning at the end of the State's 2019-2020 fiscal year, and continuing during the State's 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-21 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June, 2020 the State Division of the Budget ("DOB") began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State's 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the \$1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost \$24 billion in funding for various levels of government in the State, including approximately \$12.5 billion for the State, \$6 billion for New York City, and \$4 billion to be divided amount counties in the State; another \$12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a \$1.4 billion increase in Foundation aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a \$105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lotter Terminal ("VLT") facilities will receive a full restoration of \$10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the state will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District. See "COVID-19," herein, for further details on the COVID-19 pandemic and its effect on the State.

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

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

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

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

**Potential Reductions in Federal Aid Received by the State** - The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and

national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

Reductions in Federal funding levels could have a material adverse effect on the State budget, which could in turn affect State aid for school districts. Reductions in the payment of State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also “MARKET AND RISK FACTORS” herein).

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

The 2016-17 Enacted Budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds could only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District received \$0 in State aid (in the form of Foundation aid) to be used on community schools activities. The District is not a part of the Community Schools Grant Initiative (CSGI).

The State 2017-2018 Enacted Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

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

Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was 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 totaled approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020- 2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided 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 was continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income.

The State's 2021-22 Budget included \$29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day pre-kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year.

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2015-2016	10,943,197	3,580,121	32.72
2016-2017	11,877,460	4,294,136	36.15
2017-2018	11,871,715	4,197,081	35.35
2018-2019	12,404,727	4,240,883	34.19
2019-2020	12,588,002	4,403,182	34.98
2020-2021 (Budgeted)	12,676,872	4,306,018	33.97
2021-2022 (Budgeted)	12,930,556	4,331,323	33.50

Source: Audited financial statements for the 2015-2016 fiscal year through the 2019-2020 fiscal year and the adopted budget of the District for the 2020-2021 and 2021-2022 fiscal years. This table is not audited.

### **Fiscal Stress Monitoring**

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

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district is in "significant fiscal stress", in "moderate fiscal stress", as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation". This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past five fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2020	No Designation	6.7
2019	No Designation	0.0
2018	No Designation	6.7
2017	No Designation	6.7
2016	No Designation	20.0

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

## **New York State Comptroller Report of Examination**

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

The State Comptroller's office released an audit report of the District on June 14, 2019. The purpose of the audit was to determine whether the District information technology (IT) assets were properly safeguarded and secured for the period July 1, 2016 through December 18, 2018.

### **Key Findings**

- District officials did not provide IT security awareness training for individuals who used District IT assets.
- Employees accessed websites for social networking, shopping, travel and other personal use.

In addition, sensitive IT control weaknesses were communicated confidentially to District officials.

### **Key Recommendations**

- Provide periodic IT security awareness training.
- Provide adequate oversight of employee Internet use to ensure it complies with Board policies.

District officials agreed with the recommendations and indicated they planned to initiate corrective action.

A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

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 Notes are being 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 "STATUS OF INDEBTEDNESS - Estimated 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, 2020 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Assessed Valuations:					
East Otto	\$ 6,879,980	\$ 6,966,263	\$ 7,254,396	\$ 7,079,695	\$ 7,070,685
Ellicottville	565,846,916	575,096,844	580,879,860	585,677,343	588,011,919
Franklinville	2,412,553	2,421,501	2,426,042	2,432,646	2,240,268
Great Valley	132,123,329	132,568,027	133,381,766	134,391,355	134,768,873
Humphrey	34,802,054	35,074,788	36,065,512	35,600,662	35,805,719
Mansfield	<u>80,551,590</u>	<u>80,790,264</u>	<u>79,516,670</u>	<u>80,632,360</u>	<u>95,045,985</u>
Total	<u>\$ 822,616,422</u>	<u>\$ 832,917,687</u>	<u>\$ 839,524,246</u>	<u>\$ 845,814,061</u>	<u>\$ 862,943,449</u>
Equalization Rates:					
East Otto	100.00%	100.00%	100.00%	98.00%	99.00%
Ellicottville	100.00%	99.00%	99.00%	97.50%	99.00%
Franklinville	70.00%	67.00%	64.00%	61.00%	62.00%
Great Valley	97.00%	95.00%	95.00%	96.00%	93.00%
Humphrey	97.00%	93.00%	88.00%	86.00%	84.00%
Mansfield	100.00%	100.00%	100.00%	95.40%	100.00%
Full Valuations:					
East Otto	\$ 6,879,980	\$ 6,966,263	\$ 7,254,396	\$ 7,224,179	\$ 7,142,106
Ellicottville	565,846,916	580,905,903	586,747,333	600,694,711	593,951,433
Franklinville	3,446,504	3,614,181	3,790,691	3,987,944	3,613,335
Great Valley	136,209,618	139,545,292	140,401,859	139,990,995	144,912,767
Humphrey	35,878,406	37,714,826	40,983,536	41,396,119	42,625,856
Mansfield	<u>80,551,590</u>	<u>80,790,264</u>	<u>79,516,670</u>	<u>84,520,294</u>	<u>95,045,985</u>
Total	<u>\$ 828,813,014</u>	<u>\$ 849,536,728</u>	<u>\$ 858,694,485</u>	<u>\$ 877,814,241</u>	<u>\$ 887,291,482</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 Values)**

	Fiscal Year Ending June 30:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
East Otto	\$ 8.46	\$ 8.52	\$ 8.75	\$ 8.96	\$ 9.21
Ellicottville	8.46	8.61	8.84	9.01	9.32
Franklinville	12.09	12.72	13.67	14.40	14.70
Great Valley	8.72	8.97	9.21	9.15	9.80
Humphrey	8.72	9.16	9.94	10.22	10.85
Mansfield	8.46	8.52	8.75	9.21	9.11

## Tax Collection Procedure

School taxes are due September 1. If paid by September 30, no penalty is imposed. There is a 2% penalty if paid by the end of October. On November 1, a list of all unpaid taxes is given to the County for re-levy on County/Town tax rolls. The School District is reimbursed by the County for all unpaid taxes the first week of April in each year and is thus assured of 100% collection of its annual levy.

## Tax Collection Record

Fiscal Year Ended June 30:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021*</u>
General Fund Tax Levy	\$6,982,196	\$7,205,317	\$7,479,235	\$7,679,623	\$8,022,338
Omissions/Loss of Exemptions- Prior Years	0	0	0	0	0
Levy for Library	29,943	29,943	31,164	32,042	65,000
Total Levy for All Purposes	7,012,139	7,235,260	7,510,399	7,711,665	8,087,338
Excess (Deficit) on Tax Rolls	0	0	0	0	0
Taxes Cancelled	0	0	0	2,932	0
Net Taxes on Roll	7,012,139	7,235,260	7,510,399	7,708,733	8,087,338
STAR Program	292,013	287,338	286,014	277,561	263,289
Net Taxes After STAR Program	6,720,126	6,947,922	7,224,385	7,431,172	7,824,049
Taxes Collected Prior to Return	6,257,524	5,835,572	6,687,388	6,582,756	7,262,734
Uncollected Date of Return	462,602	1,112,350	536,997	848,415	560,980
Percentage Collected Prior to Return	93.12%	83.99%	92.26%	85.00%	93.00%

Note: \* Collection information is as of 11/10/2020



## 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
2015-2016	\$10,943,197	\$6,913,420	63.18
2016-2017	11,877,460	6,982,196	58.79
2017-2018	11,871,715	7,205,317	60.69
2018-2019	12,404,727	7,476,650	60.27
2019-2020	12,588,002	7,670,908	60.94
2020-2021 (Budgeted)	12,676,872	7,692,963	60.69
2021-2022 (Budgeted)	12,930,556	7,898,960	61.09

Source: Audited financial statements for the 2015-16 fiscal year through 2019-20 fiscal year and the adopted budget of the District for the 2020-2021 and 2021-2022 fiscal years. This table is not audited

## Major Taxpayers 2020

### For 2020-21 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Win-Sum Ski Corp	Ski Area	\$11,212,121
Win-Sum Ski Corp	Hotel	4,848,485
Holimont Inc	Ski Area	3,718,081
1378 Group LLC	Hotel	3,574,141
Niagara Mohawk	Electric Substation	3,140,389
Niagara Mohawk	Electric Substation	2,534,377
Allegany Mountain Resort	Camping Resort	2,272,727
Niagara Mohawk	Electric & Gas	2,011,672
242 Montview Inc	Apartment Co-op	1,717,172
4646 Genesee LLC	Mini-mart	1,041,818
Total		\$36,070,983

1. The above taxpayers represent 4.18% of the School District's 2020-21 Assessed value of \$862,943,449.

As of the date of this Official Statement, the District does not currently have any pending or outstanding tax certioraris that are known to have a material impact on the District.

## General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2020 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 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

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

The 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to \$250,000, compared with a \$500,000 limit for the credit.

## **TAX LEVY LIMITATION LAW**

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

On June 25, 2015, Chapter 20 of the 2015 Laws of New York amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. The State’s enacted budget for the fiscal year ending March 31, 2020 made the Tax Levy Limitation Law permanent.

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy 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 Limitation 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, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures" are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Notes. The State Commissioner of Taxation and Finance has promulgated a regulation that will allow school districts, beginning in the year 2020-2021 school year, to adjust the exclusion to reflect a school district's share of capital expenditures related to projects funded through a board of cooperative education services ("BOCES").

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

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

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

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

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

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 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 capital improvements projects to be financed by the Notes.

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

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

1. (a) Such obligations are authorized for an object or purpose of which the District is not authorized to expend money, or

(b) The provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

The District typically complies with this estoppel procedure, and it has done so with respect to the bond resolution pursuant to which the Notes are being issued. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board, 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, 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 two years from the date of the first issuance of such notes and provided that such renewal issues do not exceed five years beyond the original date of borrowing. Additionally, in response to the COVID-19 pandemic, legislation has been adopted that allows certain bond anticipation notes originally issued between 2015 and 2021 to be renewed up to seven years prior to the issuance of serial bonds.

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:	2016	2017	2018	2019	2020
Serial Bonds	\$11,945,800	\$10,795,000	\$9,630,000	\$8,435,000	\$7,220,000
Bond Anticipation Notes	0	0	0	0	0
<b>Total Debt Outstanding</b>	<b>\$11,945,800</b>	<b>\$10,795,000</b>	<b>\$9,630,000</b>	<b>\$8,435,000</b>	<b>\$7,220,000</b>

**Status of Outstanding Bond Issues**

Year of Issue:	2007		2016	
Amount Issued:	\$435,000		\$9,790,800	
Purpose/Instrument:	Reconstruction		Construction/Reconstruction	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$35,000	\$4,228	\$700,000	\$151,025
2022	40,000	2,670	620,000	137,025
2023	20,000	890	635,000	124,625
2024	-	-	645,000	111,925
2025	-	-	660,000	99,025
2026	-	-	680,000	85,825
2027	-	-	645,000	72,225
2028	-	-	660,000	59,325
2029	-	-	680,000	45,300
2030	-	-	705,000	30,000
2031	-	-	495,000	12,375
<b>Totals:</b>	<b>\$ 95,000</b>	<b>\$ 7,788</b>	<b>\$ 7,125,000</b>	<b>\$ 928,675</b>

**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	\$735,000	\$155,253	\$890,253	10.91%
2022	660,000	139,695	799,695	20.72%
2023	655,000	125,515	780,515	30.29%
2024	645,000	111,925	756,925	39.57%
2025	660,000	99,025	759,025	48.87%
2026	680,000	85,825	765,825	58.26%
2027	645,000	72,225	717,225	67.06%
2028	660,000	59,325	719,325	75.88%
2029	680,000	45,300	725,300	84.77%
2030	705,000	30,000	735,000	93.78%
2031	495,000	12,375	507,375	100.00%
<b>Totals:</b>	<b>\$ 7,220,000</b>	<b>\$ 936,463</b>	<b>\$ 8,156,463</b>	

## Status of Short-Term Indebtedness

<u>Type</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
BAN	04/08/2021	6/24/2021	1.25%	\$2,000,000*

\*To be redeemed utilizing available district funds and proceeds of the Notes.

## Other Obligations

<u>Type</u>	<u>Lease Year End Date</u>	<u>Amount Outstanding</u>
Bus Acquisition - Lease	6/30/2020	\$76,400
Bus Acquisition - Lease	6/30/2021	101,880
Bus Acquisition - Lease	6/30/2022	131,200
Bus Acquisition - Lease	6/30/2023	174,208
Bus Acquisition - Lease	6/30/2024	99,424
Bus Acquisition - Lease	6/30/2024	109,704

## Cash Flow Borrowings

The School District, historically, does not issue Tax Anticipation Notes or Revenue Anticipation Notes. There are no current plans to issue either Tax or Revenue Anticipation Notes.

## Capital Project Plans

The District voters approved a \$8,400,000 Capital Project on December 10, 2019. This project will include work on the cafeteria, bus garage, parking lot/driveway, roof, athletic fields, and safety improvements. Construction began in April 2021 and is estimated to be completed in December 2021. This is the project for which the Notes are being issued, and this bond anticipation note issue will be the second borrowing against said authorization. Proceeds of the Notes will be used to redeem and renew, in part, an outstanding bond anticipation note of the District that was issued on April 8, 2021 and to provide \$6,400,000 in new money for the aforementioned purpose.

## 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 its Building Aid Ratio of 65.1%.

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 "THE SCHOOL DISTRICT - State Aid" herein.

## Debt Statement Summary

As of June 1, 2021

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization</u> <u>Rate</u>	<u>Taxable Full Valuation</u>
East Otto	\$ 7,070,685	99.00%	\$ 7,142,106
Ellicottville	588,011,919	99.00%	593,951,433
Franklinville	2,240,268	62.00%	3,613,335
Great Valley	134,768,873	93.00%	144,912,767
Humphrey	35,805,719	84.00%	42,625,856
Mansfield	95,045,985	100.00%	95,045,985
			\$ 887,291,482
Debt Limit: 10% of Full Valuation			\$ 88,729,148
Inclusions:			
Serial Bonds			\$ 7,220,000
Bond Anticipation Notes			2,000,000
Total Inclusions:			\$ 9,220,000
Exclusions:			
Building Aid Estimate <sup>1</sup>			\$0
Total Exclusions:			\$0
Total Net Indebtedness Before Giving Effect to This Issue:			\$ 9,220,000
New Monies This Issue:			6,400,000
Total Net Indebtedness			\$ 15,620,000
Net Debt Contracting Margin			\$ 73,109,148
Percentage of Debt-Contracting Power Exhausted			17.60%

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>
Cattaraugus County	\$ 887,291,482		\$ 47,117,303	N/A	\$ 47,117,303	\$ 9,485,952
Town of East Otto	\$ 7,142,106	20.13%	-	N/A	-	-
Town of Ellicottville	\$ 593,951,433	8.25%	920,000	N/A	920,000	897,216
Town of Franklinville	\$ 3,613,335	97.52%	311,520	N/A	311,520	8,508
Town of Great Valley	\$ 144,912,767	2.73%	45,000	N/A	45,000	35,829
Town of Humphrey	\$ 42,625,856	79.62%	-	N/A	-	-
Town of Mansfield	\$ 95,045,985	42.12%	175,000	N/A	175,000	139,824
Village of Ellicottville	\$ 132,754,308	79.90%	4,619,250	N/A	4,619,250	4,619,250
<b>Total</b>	<b>\$ 132,754,308</b>	<b>100.00%</b>				<b>\$ 15,186,578</b>

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2019

Notes: <sup>1</sup> Bonds and Bond Anticipation notes as of 2019 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 March 18, 2021:

	Amount	Per Capita <sup>(a)</sup>	Percentage of Full Value <sup>(b)</sup>
Net Indebtedness	\$ 15,620,000	\$ 4,772.38	1.760%
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 30,806,578	\$ 9,412.34	3.472%

(a) The District's estimated population is 3,273 (Source: 2019 U.S. Census Bureau estimate)

(b) The District's full valuation of taxable real estate for 2020-21 is \$887,291,482

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



## COVID-19

The outbreak of COVID-19, a serious respiratory disease caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020.

### **Economic Impacts**

The outbreak of COVID-19 has drastically affected travel, commerce and financial markets globally. As almost all nations have experienced a rise in infections and implemented containment measures that in the case of some nations (including the United States) have been drastic, economies have suffered in the extreme. While several vaccines have been developed and are now being deployed world-wide, the full impact of the pandemic is difficult to predict due to uncertainties regarding its duration and severity.

While initially the hospitality and tourism industries were hardest hit, within a short period of time there was widespread unemployment across all economic sectors in the United States.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic initially caused extreme volatility across all financial markets, including the primary and secondary markets for municipal bonds. In the United States, Congress and the Federal Reserve took significant steps to backstop those markets and to provide much-needed liquidity, and markets have since generally stabilized. Still, given these conditions, it is possible that the process of trading the Notes in the secondary market could be affected in ways that are difficult to predict.

### **Federal Response**

The federal government has passed several pieces of legislation in response to the COVID-19 pandemic including the \$2.3 trillion Coronavirus Aid, Relief, and Economic Security (“CARES”) Act of 2020 and the \$1.9 trillion American Rescue Plan Act (“ARP”) Act of 2021, both of which provide funding for pandemic-related expenses and attempt to address financial stability and liquidity issues through a variety of stimulus measures.

**Stimulus Efforts for State and Local Governments:** The CARES Act included a \$150 billion Coronavirus Relief Fund, which provided funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller populations could receive monies from the amount allocated to their state). This money was intended for programs that were necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it could indirectly assist with revenue shortfalls in cases where the expenses that were covered by this fund would otherwise create a further budget shortfall.

The CARES Act also included an Education Stabilization Fund, which provided \$30.75 billion for K-12 and higher education systems. There were three main forms of relief: \$13.2 billion for K-12 schools that was administered on a state-by-state basis, \$14 billion for public and private colleges and universities, and \$3 billion in emergency relief that governors could distribute to schools, colleges and universities that were particularly affected by COVID-19 and the ensuing crisis.

The ARP Act includes an additional \$350 billion for states, tribal governments and local governments. Notably, in addition to the uses allowed under the CARES Act, ARP funds can be used to replace revenues lost due to COVID-19 and to make necessary investments in water, sewer or broadband infrastructure. These broader categories allow such governments much more flexibility in utilizing such funds.

The ARP Act also includes a total of \$170.3 billion in funding for education, including more than \$122.8 billion for the Elementary and Secondary School Emergency Relief Fund (“ESSER”). The largest portion of such ESSER funds will be distributed to school districts based on their relative share of Title I funding, but additional moneys are also allocated to help schools address learning time lost by students, after-school and summer enrichment programs, and administration costs.

**Municipal Liquidity Facility:** The Federal Reserve established a “Municipal Liquidity Facility” (“MLF”) in 2020 that offered up to \$500 billion in direct federal lending to certain larger issuers, which were in turn able to use their own loan proceeds to make loans to included smaller governmental units that would not otherwise qualify for this program. The MLF

expired on December 31, 2020. Most municipal issuers did not have to resort to the MLF because rates have been conducive to issuing debt through the conventional municipal bond market; however, it is notable that the MLF existed as a market backstop if needed.

### **State Response**

Executive Orders: Pursuant to emergency powers granted by the State Legislature, Governor Cuomo has released a number of executive orders in response to the COVID-19 pandemic.

Pursuant to State Executive order 202.4, every school in the State was directed to close no later than March 18, 2020. While schools were originally ordered closed until April 1, the time period was later extended to May 15, and then through the end of the school year. School districts must normally maintain 180-day in-class attendance for State aid; however, this requirement was waived to the extent attributable to COVID-19 related closures during the 2019-20 school year. Additionally, pursuant to State Executive orders Nos. 202.13 and 202.26, the school district elections and budget votes that normally would have been held in-person on May 19, 2020 were postponed and conducted by absentee ballot, with such ballots being counted on June 16, 2020.

While initially “non-essential” employees were mandated to work from home, starting on May 15, 2020 regions of the State that met certain criteria were allowed to begin reopening. Reopening occurred in phases, with different businesses and industries allowed to open in each phase.

As COVID-19 cases began to rise again in the fall of 2020, the State shifted to a strategy based on identifying areas with higher positivity rates and implementing successively higher restrictions in such areas. Such areas were labeled “yellow”, “orange” or “red”. When COVID-19 cases dropped again, affected areas could be removed from the list. As of March 22, 2021, all remaining yellow zone cluster restrictions were lifted; therefore, there were no longer any areas of the State subject to special restrictions under such system.

Since increased supplies of COVID-19 vaccine have become available, the State is encouraging residents to get vaccinated and, as of April 6, 2021, all New Yorkers 16 years of age and older are eligible to receive a vaccine.

Up-to-date information on the State’s COVID-19 response can be found at <https://forward.ny.gov>. Reference to website implies no warranty of accuracy of information therein.

State Budget: The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State’s 2019-2020 fiscal year, and continuing during the State’s 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-21 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June, 2020 the State Division of the Budget (“DOB”) began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State’s 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the \$1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost \$24 billion in funding for various levels of government in the State, including approximately \$12.5 billion for the State, \$6 billion for New York City, and \$4 billion to be divided among counties in the State; another \$12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a \$1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a \$105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lottery Terminal (VLT) facilities will receive a full restoration of \$10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

Legislation Allowing Financial Flexibility for Municipalities and School Districts. On August 24, 2020, Governor Cuomo signed legislation allowing municipalities and school districts additional financial flexibility in response to the COVID-19 pandemic. Whereas municipalities and school districts in the State typically may only pursue short-term financing for five years, under certain circumstances the new legislation allows note financing for up to an additional two years prior to converting to long-term bonds.

The new legislation also allows municipalities and school districts additional flexibility related to the use of reserve funds or inter-fund transfers for costs associated with COVID-19. The typical mandatory or permissive referendum requirements for the expenditure of funds from a capital reserve fund have been waived for capital costs attributable to the COVID-19 pandemic. Moneys from a capital reserve fund can also be temporarily advanced for operating costs or other costs attributable to the COVID-19 pandemic, so long as such moneys are repaid within five fiscal years, with interest. Additionally, while inter-fund transfers must typically be repaid by the end of the fiscal year in which the transfer is made, inter-fund advances for costs attributable to the COVID-19 pandemic do not need to be repaid until the close of the following fiscal year.

### **Local Response**

The State Executive Law Section 24 contains procedures for local governments to declare local states of emergency and issue orders to implement the same. Specifically, in the event of a qualifying disaster or reasonable apprehension of immediate danger to the public safety, the municipal chief executive has the authority to declare a local state of emergency for a period of up to 30 days and issue orders to protect life and property or to bring the emergency situation under control.

While the District itself is not able to declare a local state of emergency, the County has done so. The District closed in mid-March 2020 and did not resume session for the rest of the 2019-20 school year. During the timeframe of the closure the District provided education to students remotely and was responsible for providing meal deliveries to students.

While the impacts of COVID-19 on the global, federal, State and local economy cannot be predicted with any certainty, the pandemic could have a significant adverse effect on the District's finances.

The District is continuing to monitor this situation and will attempt to mitigate any such adverse effects through program cuts or staffing reductions, as needed.

## **MARKET AND RISK FACTORS**

There are various forms of risk associated with investing in the Notes. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "DESCRIPTION OF THE NOTES - Remedies of Noteholders on Default," herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected revenue increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the District. In addition, to the extent that the District is dependent on State aid, there can be no assurance that such aid will be continued in the future. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District's financial condition.

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

If and when a holder of any Note should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rate. If the interest rates rise, the price of a Note will decline, causing the Noteholder to incur a capital loss upon the sale of such Note (unless such Note is held to maturity).

On December 22, 2017, then President Trump signed into law the significant tax reform legislation that is generally referred to as the "Tax Cuts and Jobs Act of 2017" (the "TCJA"). The TCJA made significant changes to the Code, most of which became effective for the 2018 tax year. The TCJA made extensive changes to the deductibility of various taxes, including placing a cap of \$10,000 on a taxpayer's deduction of state and local taxes (the "SALT Deduction Limitation"). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

Further amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Which it is impossible to predict at this time what, if any, tax reform legislation will be proposed or enacted, any such future legislation could have an adverse effect on the market value of the Notes (see "TAX EXEMPTION," herein).

Disease outbreaks or similar public health threats could have an adverse impact on the District's financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020. See "COVID-19" herein for a further discussion of the impacts of the COVID-19 pandemic, which could have a significant adverse effect on the District's finances.

## **TAX EXEMPTION**

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income, of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the individual alternative minimum tax imposed by the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Such opinion will state that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York).

In rendering the foregoing opinion, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes are subject to among other things, continuing compliance by the District with the applicable requirements of Sections 141, 148 and 149 of the Code and regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the tax certificate and the non-arbitrage certificate that will be executed and delivered by the District in connection with the issuance of the Notes (collectively, the "Certificates") establish the requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Code Section 141;

2. The requirement contained in Code Section 148 relating to arbitrage bonds; and
3. The requirement that the payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Certificates, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporation, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code Section 3406, if such holder fails to provide the information required on Internal Revenue Service (“IRS”) form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions and proposals for future changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes. Prospective purchasers are encouraged to consult their own legal and tax advisors with respect to these matters.

## **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the Notes will be covered by the unqualified legal opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel to the School District, such opinion to be delivered with the Notes.

## **DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), unless the Notes are purchased for the purchaser’s own account, as principal for investment and not for resale, the District will enter into a Disclosure Undertaking at closing, the form of which is attached hereto as “APPENDIX C.” A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

## **CONTINUING DISCLOSURE COMPLIANCE PROCEDURES**

The District is establishing procedures designed to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System.

## **LITIGATION**

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

## **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 operation 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.

## **RATING**

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

The most recent underlying rating assigned to the School District by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, is an A rating, which was assigned in connection with the issuance by the School District of \$9,790,800 School District (Serial) Bonds dated June 15, 2016.

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 Notes.

## **MUNICIPAL ADVISOR**

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

forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the Board. Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements 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 District is not guaranteed as to accuracy, completeness or fairness, the District has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the 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 District and no material adverse changes in the general affairs of the 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 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.

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

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 contact information is as follows: Aimee Kilby, School Business Executive, phone: (716) 699-2316 ext. 1302 email: [akilby@ecsny.org](mailto:akilby@ecsny.org).

Additional copies of the Official Statement may be obtained upon request from the offices of R. G. Timbs, Inc., telephone number (877) 315-0100, or at [www.RGTimbsInc.net](http://www.RGTimbsInc.net).

**Ellicottville Central School District**

**Dated: June 2, 2021**  
**Ellicottville, New York**

**Robert Van Wicklin**  
President of the Board of  
Education

## **APPENDIX A**

### **Financial Information**



## General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	Budget					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning Fund Balance - July 1	\$1,953,306	\$1,601,443	\$1,761,676	\$1,594,510	\$1,697,254	\$2,273,041 <sup>E</sup>
<u>Revenues:</u>						
Real Property Taxes	\$6,913,420	\$6,982,196	\$7,205,317	\$7,476,650	\$7,738,332	\$7,692,963
Other Tax Items	74,165	78,241	54,385	67,164	0	295,791
Charges for Services	83,600	88,581	102,345	83,035	43,589	71,000
Use of Money & Property	109,980	95,305	113,597	127,590	124,352	121,100
Sale of Property/Comp. for Loss	1,945	1,410	314	0	2,888	0
Miscellaneous	148,393	201,623	128,263	213,574	129,374	90,000
State Aid	3,580,121	4,294,136	4,197,081	4,240,883	4,403,182	4,306,018
Federal Aid	31,573	135,968	70,413	195,831	146,285	100,000
Interfund Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	\$10,943,197	\$11,877,460	\$11,871,715	\$12,404,727	\$12,588,002	\$12,676,872
<u>Expenditures:</u>						
General Support	\$1,708,377	\$1,587,282	\$1,520,849	\$1,612,350	\$1,602,111	\$1,699,009
Instruction	5,721,181	6,009,697	6,150,194	6,332,842	6,319,206	7,036,526
Transportation	522,079	570,348	634,761	644,569	588,069	699,900
Employee Benefits	2,155,368	2,125,889	2,127,590	2,181,058	2,082,419	2,410,561
Debt Service	1,163,055	1,399,011	1,391,190	1,398,955	1,395,410	1,355,876
Interfund Transfer	<u>25,000</u>	<u>25,000</u>	<u>214,297</u>	<u>132,209</u>	<u>25,000</u>	<u>15,000</u>
Total Expenditures	\$11,295,060	\$11,717,227	\$12,038,881	\$12,301,983	\$12,012,215	\$13,216,872
Adjustments	0	0	0	0	0	0
Year End Fund Balance	\$1,601,443	\$1,761,676	\$1,594,510	\$1,697,254	\$2,273,041	\$1,733,041 <sup>E</sup>
Excess (Deficit) Revenues Over Expenditures	<b>(\$351,863)</b>	\$160,233	<b>(\$167,166)</b>	\$102,744	\$575,787	<b>(\$540,000)</b> <sup>I</sup>

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

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

E. Estimated

## General Fund – Budget Summary

2021-22 Adopted Budget

### Revenues:

Real Property Taxes	\$7,898,960
Other Payments in Lieu of Taxes	5,791
Other Tax Items	258,000
Interest & Penalties on Real Property Tax	15,500
Charges for Services	61,000
Use of Property	124,000
Miscellaneous	135,982
State Aid	4,331,323
Federal Aid	100,000
Appropriated Fund Balance	<u>527,729</u>
Total Revenues	<u><u>\$13,458,285</u></u>

### Expenditures:

General Support	\$1,735,771
Instruction	7,150,701
Transportation	688,979
Employee Benefits	2,549,539
Debt Service	1,318,295
Interfund Transfer	<u>15,000</u>
Total Expenditures	<u><u>\$13,458,285</u></u>

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

## Comparative Balance Sheet

Fiscal Year Ending June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assets:					
Unrestricted Cash	\$1,087,510	\$1,595,472	\$1,042,137	\$1,425,663	\$614,949
Restricted Cash	209,514	151,667	356,595	291,971	628,501
Restricted Investments	343,180	319,760	0	0	0
Other Receivables	3,489	3,436	640	1,396	465
Due from Other Funds	512,817	452,516	489,366	365,617	788,769
Due from State & Federal	342,636	31,859	276,892	263,621	325,072
Due from Other Governments	<u>0</u>	<u>15,951</u>	<u>1,120</u>	<u>0</u>	<u>472,398</u>
Total Assets	<u>\$2,499,146</u>	<u>\$2,570,661</u>	<u>\$2,166,750</u>	<u>\$2,348,268</u>	<u>\$2,830,154</u>
Liabilities:					
Accounts Payable	\$0	\$0	\$13,374	\$15,297	\$8,355
Accrued Liabilities	74,223	47,108	45,667	64,507	49,111
Due to Other Funds	182,473	169,824	0	11,904	12,335
Due to Other Governments	399	399	0	0	0
Due to State Teachers Retirement System	598,233	547,884	463,481	512,552	441,201
Due to Employees' Retirement System	<u>42,375</u>	<u>43,770</u>	<u>49,718</u>	<u>46,754</u>	<u>46,111</u>
Total Liabilities:	<u>\$897,703</u>	<u>\$808,985</u>	<u>\$572,240</u>	<u>\$651,014</u>	<u>\$557,113</u>
Fund Balances:					
Restricted	549,865	467,531	356,595	291,971	628,501
Assigned:	647,170	450,950	451,321	452,053	576,516
Unassigned					
Unappropriated Fund Balance	<u>404,408</u>	<u>843,195</u>	<u>786,594</u>	<u>953,230</u>	<u>1,068,024</u>
Total Fund Balance	<u>\$1,601,443</u>	<u>\$1,761,676</u>	<u>\$1,594,510</u>	<u>\$1,697,254</u>	<u>\$2,273,041</u>
Total Liabilities and Fund Balance	<u>\$2,499,146</u>	<u>\$2,570,661</u>	<u>\$2,166,750</u>	<u>\$2,348,268</u>	<u>\$2,830,154</u>

Source: Audited Annual Financial Reports. This table is not audited.

## **APPENDIX B**

### **Audited Financial Statements For The Fiscal Year Ended June 30, 2020**

*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.*

***ELLCOTTVILLE CENTRAL SCHOOL DISTRICT***

***AUDIT REPORTING PACKAGE***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2020***

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***ELLCOTTVILLE CENTRAL SCHOOL DISTRICT***  
***FINANCIAL STATEMENTS***  
***AND SUPPLEMENTARY INFORMATION***  
***FOR THE FISCAL YEAR ENDED JUNE 30, 2020***  
***WITH***  
***REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

# ELLCOTTVILLE CENTRAL SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

**To the President and Members of  
The Board of Education  
*Ellicottville Central School District*  
Ellicottville , New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Ellicottville Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the *Ellicottville Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Ellicottville Central School District* as of June 30, 2020, as displayed in the District's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 these 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the *Ellicottville Central School District* as of June 30, 2020, 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.

### ***Report on Summarized Comparative Information***

We have previously audited the *Ellicottville Central School District's* as of June 30, 2019 financial statements, and our report dated September 10, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 37 through 38), schedule of changes in the District's net OPEB liability and related ratios (page 44), schedule of District contributions – OPEB (page 45), the schedule of the District's contributions for defined benefit pension plans (page 46), and schedule of the District's share of net pension asset/liability (page 47), 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 **Ellicottville Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules 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 combining and individual fund financial statements and other schedules 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 combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of **Ellicottville Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 **Ellicottville Central School District's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 29, 2020**

**I. Discussion and Analysis**

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

**II. Financial Highlights**

The following items are the financial highlights experienced by the *Ellicottville Central School District* during the fiscal year ended June 30, 2020:

- Overall net position from operations of the District increased during the current year in the amount of \$609,000 as compared to an increase of \$916,000 during the prior fiscal year.
- The District's enrollment was 647 students as compared with 632 during the prior year.
- The District's total revenue increased approximately 1% from \$13,074,000 during June 30, 2019 to \$13,183,000 during June 30, 2020. This increase was primarily the result of an increase in real property taxes and state aid.
- The District's total expenses increased approximately 3% from \$12,158,000 during the year ended June 30, 2019 to \$12,574,000 during the year ended June 30, 2020. This increase was primarily the result of an increase in Teachers' Retirement System (TRS) and Employees' Retirement System (ERS) expense as actuarial determined for reporting in accordance with GASB 68, along with an increase in BOCES expenses. These increases were partially offset by decreases in contractual and material and supply costs.
- The District had capital outlays during the current year in the amount of approximately \$352,000, which primarily related to preliminary costs on it \$8.4 million renovation project.

**III. Overview of the Financial Statements**

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

**III. Overview of the Financial Statements  
(continued)**

**A. Reporting the School District as a Whole (District-wide Financial Statements):**

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

**1. Statement of Net Position**

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

**2. Statement of Activities**

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net Position – the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements  
(continued)**

**B. Reporting the District's Most Significant Funds (Fund Financial Statements):**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

**1. Governmental Funds**

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements  
(continued)**

**B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):**

**1. Governmental Funds (continued)**

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

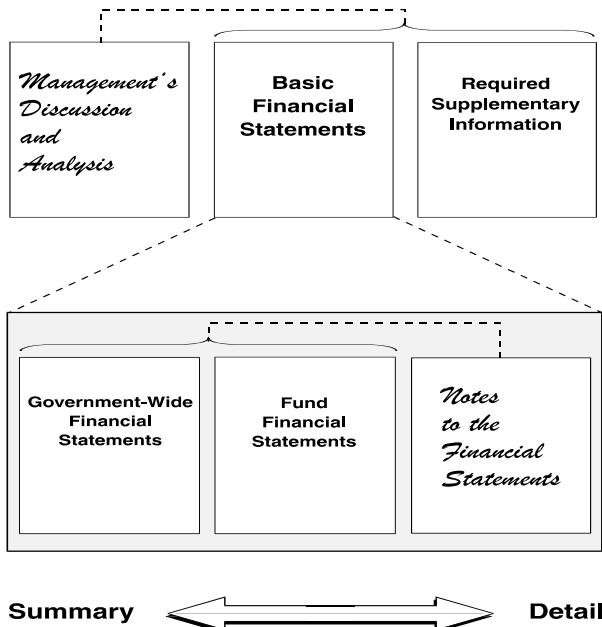
**2. Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements**

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**Figure A-2 - Required Components of the District's Annual Financial Report**



**IV. Financial Analysis of the School District as a Whole (continued)**

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 3% to \$12,574,000. The District's expenses cover a range of services, with 74% related to instruction and 16% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 1%, while total expenses increased 3%. The District's total net position increased approximately \$609,000 or 6% from operations during the fiscal year ended June 30, 2020.

Figure A-5 presents the major sources of revenue of the District. Revenue of the District totaled \$13,183,000 for the fiscal year ended June 30, 2020. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue, which represents approximately 59% of the District's total revenue for governmental activities, increased approximately 3% during the year ended June 30, 2020. The increase primarily resulted from an increase in the property tax levy during the year ended June 30, 2020.
- The District's most significant revenue is state sources which represent \$4,403,000 or 33% of total governmental revenue. The District's state sources increased approximately 4% which was primarily related to an increase in state aid.
- During the year ended June 30, 2020, the District saw a decrease in program revenue which mostly resulted from a decrease in charges for services in the amount of \$60,000. This decrease was primarily related to a decrease in cafeteria sales due to less meals served during the Pandemic. The District moved to the Seamless Summer Option whereby all meals served were reimbursed by the Federal and State government.

**IV. Financial Analysis of the School District as a Whole**

Net Position

The District's total reporting entity net position was approximately \$11,565,000. The components of net position include: net investment in capital assets, of \$8,111,000; restricted net position of \$976,000; and unrestricted net position of \$2,478,000 as of June 30, 2020.

Changes in Net Position

The District's total government-wide revenue increased by approximately 1% to \$13,183,000. Approximately 59%, 4% and 33% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 4% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

**IV. Financial Analysis of the School District as a Whole (continued)**

Expenses

Figure A-8 presents the cost of each of the District's largest expenditure-types, which include; general support, instruction, transportation and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$12,574,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$47,000 or 2% which was primarily due to an increase in BOCES services, which was partially offset by a decrease in salaries and contractual expenses.
- The District's instruction costs increased by approximately \$426,000 or 5% which was primarily related to an increase in TRS and ERS expense due to actuarial updates, along with an increase in BOCES expenses. These increases were partially offset by decreases in salaries and material and supplies.
- Debt service of the District decreased approximately \$25,000 during the year ended June 30, 2020, which primarily resulted from a decrease in interest expense.
- Transportation costs of the District decreased \$32,000 during the year ended June 30, 2020 as a result of a decrease in decrease in salaries and material and supplies.
- The District's cost of sales (food service fund) totaled \$283,000 during the current year as compared to \$283,000 during the fiscal year ended June 30, 2019.
- The District received approximately \$638,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the Districts net costs (\$11.9 million) were financed by state aid and real property taxes.

**Figure A-3 – Condensed Statement of Net Position**

*Ellicottville Central School District*  
Condensed Statement of Net Position (in thousands of dollars)

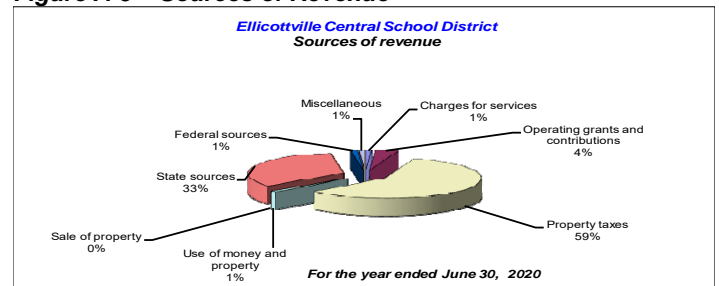
	Governmental Activities and Total District-wide		
	2020	2019	% Change
<b>Assets</b>			
Current and other assets	\$ 3,601	\$ 3,282	10%
Capital assets	15,331	15,587	-2%
Total assets	<u>18,932</u>	<u>18,869</u>	<u>0%</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions and OPEB	3,049	2,960	3%
Deferred outflows of resources and assets	<u>\$ 21,981</u>	<u>\$ 21,829</u>	<u>1%</u>
<b>Liabilities</b>			
Other liabilities	\$ 571	\$ 686	-17%
Long-term liabilities	8,714	9,323	-7%
Total liabilities	<u>9,285</u>	<u>10,009</u>	<u>-7%</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions and OPEB	1,131	864	31%
Deferred inflows of resources and liabilities	<u>10,416</u>	<u>10,873</u>	<u>-4%</u>
<b>Net position</b>			
Net investment in capital assets	8,111	7,152	13%
Restricted	976	639	53%
Unrestricted	2,478	3,165	-22%
Total net position	<u>11,565</u>	<u>10,956</u>	<u>6%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 21,981</u>	<u>\$ 21,829</u>	<u>1%</u>

**Figure A-4 – Changes in Net Position**

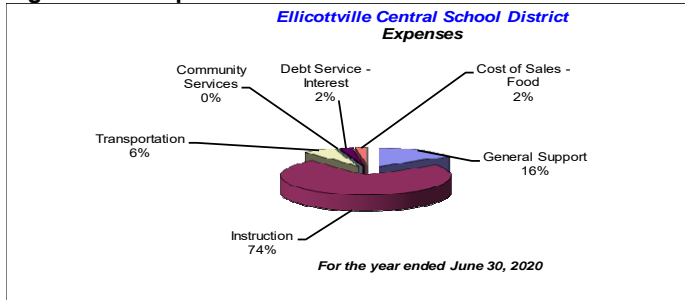
*Ellicottville Central School District*  
Changes in Net Position from Operating Results (in thousands of Dollars)

	Governmental Activities and Total District-wide		
	2020	2019	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 122	\$ 182	-33%
Operating grants and contributions	516	568	-9%
General revenue			
Real property taxes	7,738	7,544	3%
Use of money & property	126	129	-3%
Sale of property & comp for loss	3	-	N/A
State sources	4,403	4,241	4%
Federal sources	146	196	-25%
Miscellaneous	129	214	-39%
Total revenue	<u>13,183</u>	<u>13,074</u>	<u>1%</u>
<b>Expenses</b>			
General support	1,965	1,918	2%
Instruction	9,372	8,946	5%
Transportation	776	808	-4%
Debt service - interest	178	203	-12%
Cost of sales	283	283	0%
Total expenses	<u>12,574</u>	<u>12,158</u>	<u>3%</u>
<b>Change in net position</b>	<u>\$ 609</u>	<u>\$ 916</u>	

**Figure A-5 – Sources of Revenue**



**Figure A-6 - Expenses**



**Figure A-7 – Expenditures Supported with Program Revenue**

	Governmental Activities & Total District			
	2020		2019	
Expenditures supported with general revenue (from taxes & other sources)	\$ 11,937	95%	\$ 11,408	94%
Expenditures supported with program revenue	638	5%	750	6%
<b>Total expenditures related to governmental activities</b>	<b>\$ 12,575</b>	<b>100%</b>	<b>\$ 12,158</b>	<b>100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

	Total cost of services			Net cost of services		
	2020	2019	Change	2020	2019	Change
General support	\$ 1,965	\$ 1,918	\$ 47	\$ 1,965	\$ 1,918	\$ 47
Instruction	9,372	8,946	426	8,981	8,479	502
Transportation	776	808	(32)	776	808	(32)
Debt service - interest	178	203	(25)	178	203	(25)
Cost of sales - food	283	283	-	37	-	37
<b>Total</b>	<b>\$ 12,574</b>	<b>\$ 12,158</b>	<b>\$ 416</b>	<b>\$ 11,937</b>	<b>\$ 11,408</b>	<b>\$ 529</b>

**V. Financial Analysis of the School District's Funds**

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

**V. Financial Analysis of the School District's Funds (continued)**

Debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenue and other sources and other uses exceeded its expenditures by approximately \$576,000.
- The District's general fund unassigned fund balance equated to approximately \$1,068,000 as of June 30, 2020.
- The District established many fund balance reserves during the year ended June 30, 2020, and had a total restricted fund balance approximated \$629,000.
- The District's total assets increased approximately \$482,000 as of June 30, 2020 primarily as the result of an increase in due from other funds and due from other governments. The District's liabilities decreased approximately \$94,000, as a result of an increase in due to teachers' retirement system and accrued liabilities.
- Total revenue in the District's general fund increased \$183,000, which was primarily related to an increase in property taxes and state aid. Total expenditures in the District's general fund decreased \$290,000 primarily as a result of a decrease in costs related in salaries, materials and supplies and TRS expenditures, partially offset by an increase in BOCES services.

Food Service Fund

- The District's food service fund experienced \$12,000 decrease in fund equity during the current fiscal year. This decrease was primarily related to a decrease in cafeteria sales due to less meals served during the Pandemic.
- Revenue in the District's food service fund was \$271,000 during 2020 as compared with \$308,000 in 2019. Expenditures were comparable to the prior year.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$36,000 or 9% which was primarily related to a decrease IDEA funding.

Capital Projects Fund

- The District had expenditures in the amount of \$352,000 in capital projects during the year ended June 30, 2020, which was primarily related preliminary costs associated with the District's \$8.4 million capital improvement project.

**VI. General Fund Budgetary Highlights**

Over the course of the year, the District makes many budget transfers, which is the common method utilized to manage the budget throughout the year. Actual expenditures were approximately \$1,132,000 below the revised budget. The most significant positive variances were in the area of instruction, general support, and employee benefits which totaled \$153,000, \$595,000 and \$251,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$102,000 below the final budgeted amount. Significant variances of revenue items consisted of state sources which were \$203,000 below that budgeted and Federal sources which were \$34,000 above that budgeted.

**Figure A-9 – Budget vs. Actual Comparison**

<i>Ellicottville Central School District</i>				
<b>General Fund - Budget vs Actual Comparison (in thousands of dollars)</b>				
	Revised Budget	Actual	Difference	%
<b>Revenue</b>				
Local sources	\$ 8,005	\$ 8,039	\$ 34	0%
State sources	4,606	4,403	(203)	-4%
Federal sources	80	146	66	83%
Other sources	-	-	-	0%
<b>Total revenue</b>	<b>\$ 12,691</b>	<b>\$ 12,588</b>	<b>\$ (102)</b>	<b>-1%</b>
<b>Expenditures</b>				
General support	\$ 1,755	\$ 1,602	\$ 153	9%
Instruction	6,914	6,319	595	9%
Transportation	720	588	132	18%
Employee benefits	2,333	2,082	251	11%
Debt service	1,395	1,395	-	0%
Operating transfers	25	25	-	0%
<b>Total expenditures</b>	<b>\$ 13,143</b>	<b>\$ 12,012</b>	<b>\$ 1,132</b>	<b>9%</b>

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2020, the District had invested approximately \$15,331,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles, computer equipment, and other equipment. Capital additions made during the year ended June 30, 2020, totaled approximately \$352,000 and consisted primarily of the costs associated with the District's \$8.4 million capital improvement project. More detailed information about the District's capital assets is presented in the notes of the financial statements.

**VII. Capital Assets and Debt Administration  
(continued)**

Long-term Debt

As depicted in Figure A-11, as of June 30, 2020, the District had approximately \$8,713,000 in bonds, other post-employment benefits, net pension liability and compensated absences, a decrease of approximately \$610,000 as compared with the previous year. The decrease in bonds payable was the result of the District making regularly scheduled payments. The net pension liability related to ERS increased as of June 30, 2020. Lastly, the District had a decrease in other post-employment benefits as a result of the actuarial results of the OPEB update.

**Figure A-10 – Capital Assets**

<i>Ellicottville Central School District</i>			
<b>Capital Assets (net of depreciation)</b>			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Land	\$ 5,151	\$ 5,151	0%
Buildings	23,456,919	23,456,919	0%
Construction in progress	352,444	-	N/A
Equipment	1,366,513	1,384,328	-1%
Accumulated depreciation	(9,850,322)	(9,259,588)	6%
<b>Total Capital Assets, net</b>	<b>\$ 15,330,705</b>	<b>\$ 15,586,810</b>	<b>-2%</b>

**Figure A-11 – Outstanding Long-term Debt**

<i>Ellicottville Central School District</i>			
<b>Outstanding Long-Term Debt and Liabilities</b>			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Bonds payable	\$ 7,220,000	\$ 8,435,000	-14%
Net pension liability	980,114	294,718	233%
Other post-employment benefits	199,834	200,455	0%
Compensated absences	313,497	392,624	-20%
<b>Total Long-Term Debt</b>	<b>\$ 8,713,445</b>	<b>\$ 9,322,797</b>	<b>-7%</b>



**VIII. Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the level of state aid in the upcoming years as a result of the Pandemic. New York State enacted a 2020-21 budget provision that provides for three time periods during the State's fiscal year at which time the Division of Budget will evaluate revenue and expenditures against its budget projections and potentially adjust State aid to school districts that could result in mid-year cuts. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

**IX. Contacting the District's Financial Management**

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

Ellicottville Central School District  
Attention: Ms. Aimee Kilby  
Business Manager  
5873 Route 219  
Ellicottville , New York 14731

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2020**

**Schedule 1**

**Page 10**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and Short-Term Investments		
Unrestricted	\$ 889,179	\$ 1,713,849
Restricted cash and short-term investments	976,155	638,499
Receivables		
State and federal aid	499,715	392,916
Other receivables	465	3,183
Due from other governments	472,398	-
Due from other fiduciary funds	30,912	20,378
Inventories	4,146	4,238
Net pension asset	728,229	509,423
Capital assets, net	15,330,705	15,586,810
Total assets	<u>18,931,904</u>	<u>18,869,296</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to OPEB	23,538	22,925
Deferred outflows related to pensions	3,025,123	2,936,734
Total assets and deferred outflows of resources	<u>\$ 21,980,565</u>	<u>\$ 21,828,955</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 20,449	\$ 20,723
Accrued liabilities	54,107	94,340
Accrued interest	6,000	8,000
Due to other governments	3,233	3,340
Due to retirement systems	487,312	559,306
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	735,000	1,215,000
Compensated absences	80,670	59,307
Portion due or payable after one year		
Bonds payable	6,485,000	7,220,000
Net pension liability	980,114	294,718
Other post-employment benefits	199,834	200,455
Compensated absences	232,827	333,317
Total liabilities	<u>9,284,546</u>	<u>10,008,506</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	1,084,733	822,979
Deferred inflows related to OPEB	46,819	41,997
Total liabilities and deferred inflows of resources	<u>10,416,098</u>	<u>10,873,482</u>
<b>Net Position</b>		
Net investment in capital assets	8,110,705	7,151,810
Restricted	976,155	638,499
Unrestricted	2,477,607	3,165,164
Total net position	<u>11,564,467</u>	<u>10,955,473</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,980,565</u>	<u>\$ 21,828,955</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule 2**

**Page 11**

	Expenses	Indirect Expenses Allocation	Program Revenues		2020	2019
			Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>						
General support	\$ 1,855,039	\$ 109,899	\$ -	\$ -	\$ (1,964,938)	\$ (1,918,282)
Instruction	8,914,168	458,123	43,589	348,077	(8,980,625)	(8,478,622)
Pupil transportation	735,091	40,527	-	-	(775,618)	(807,809)
Debt service	178,410	-	-	-	(178,410)	(202,955)
Food service program	282,940	-	77,932	168,015	(36,993)	(144)
Depreciation	608,549	(608,549)	-	-	-	-
Total functions and programs	<u>\$ 12,574,197</u>	<u>\$ -</u>	<u>\$ 121,521</u>	<u>\$ 516,092</u>	<u>(11,936,584)</u>	<u>(11,407,812)</u>
<b>General Revenues</b>						
Real property taxes					7,738,332	7,543,814
Use of money and property					125,517	129,477
Sale of equipment and compensation for loss					2,888	-
Miscellaneous					129,374	213,574
State sources					4,403,182	4,240,883
Federal sources					146,285	195,831
Total general revenues					<u>12,545,578</u>	<u>12,323,579</u>
<b>Change in net position</b>					608,994	915,767
Net position - beginning of year					<u>10,955,473</u>	<u>10,039,706</u>
<b>Net position - end of year</b>					<u>\$ 11,564,467</u>	<u>\$ 10,955,473</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2020**

**Schedule 3**

**Page 12**

	Governmental Funds					2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Assets</b>							
Unrestricted cash	\$ 614,949	\$ 20,097	\$ 145,684	\$ -	\$ 108,454	\$ 889,184	\$ 1,713,851
Restricted cash and short-term investments	628,501	-	-	347,649	-	976,150	638,497
Due from other funds	788,769	11,473	-	5	-	800,247	377,523
State and federal aid receivable	325,072	157,728	16,915	-	-	499,715	392,916
Other receivables	465	-	-	-	-	465	3,183
Due from other governments	472,398	-	-	-	-	472,398	-
Inventories	-	-	4,146	-	-	4,146	4,238
Total assets	<u>\$ 2,830,154</u>	<u>\$ 189,298</u>	<u>\$ 166,745</u>	<u>\$ 347,654</u>	<u>\$ 108,454</u>	<u>\$ 3,642,305</u>	<u>\$ 3,130,208</u>
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Accounts payable	\$ 8,355	\$ 2,094	\$ -	\$ -	\$ 10,000	\$ 20,449	\$ 20,723
Accrued liabilities	49,111	-	4,996	-	-	54,107	94,340
Due to other funds	12,335	187,204	118,898	-	450,898	769,335	357,145
Due to other governments	-	-	3,233	-	-	3,233	3,340
Due to Teachers' Retirement System	441,201	-	-	-	-	441,201	512,552
Due to Employees' Retirement System	46,111	-	-	-	-	46,111	46,754
Total liabilities	<u>557,113</u>	<u>189,298</u>	<u>127,127</u>	<u>-</u>	<u>460,898</u>	<u>1,334,436</u>	<u>1,034,854</u>
<b>Fund Equity</b>							
Nonspendable	-	-	4,146	-	-	4,146	4,238
Restricted	628,501	-	-	347,654	-	976,155	638,499
Assigned	576,516	-	35,472	-	-	611,988	499,387
Unassigned (deficit)	1,068,024	-	-	-	(352,444)	715,580	953,230
Total fund equity	<u>2,273,041</u>	<u>-</u>	<u>39,618</u>	<u>347,654</u>	<u>(352,444)</u>	<u>2,307,869</u>	<u>2,095,354</u>
Total liabilities and fund equity	<u>\$ 2,830,154</u>	<u>\$ 189,298</u>	<u>\$ 166,745</u>	<u>\$ 347,654</u>	<u>\$ 108,454</u>	<u>\$ 3,642,305</u>	<u>\$ 3,130,208</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule 4**

**Page 13**

	Governmental Funds					2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Revenue</b>							
Real property taxes	\$ 7,738,332	\$ -	\$ -	\$ -	\$ -	\$ 7,738,332	\$ 7,543,814
Charges for services	43,589	-	-	-	-	43,589	83,035
Use of money and property	124,352	-	39	1,126	-	125,517	129,477
Sale of property compensation for loss	2,888	-	-	-	-	2,888	-
Miscellaneous	129,374	-	721	-	-	130,095	213,856
State sources	4,403,182	62,859	5,952	-	-	4,471,993	4,300,968
Federal sources	146,285	285,218	156,284	-	-	587,787	689,886
Surplus food	-	-	5,779	-	-	5,779	14,216
Sales (school food service)	-	-	77,211	-	-	77,211	98,465
<b>Total revenue</b>	<b>12,588,002</b>	<b>348,077</b>	<b>245,986</b>	<b>1,126</b>	<b>-</b>	<b>13,183,191</b>	<b>13,073,717</b>
<b>Expenditures</b>							
General support	1,602,111	-	127,724	-	-	1,729,835	1,732,816
Instruction	6,319,206	348,077	-	-	-	6,667,283	6,717,214
Pupil transportation	588,069	-	-	-	-	588,069	644,569
Employee benefits	2,082,419	-	45,676	-	-	2,128,095	2,224,770
Debt service							
Principal	1,215,000	-	-	-	-	1,215,000	1,195,000
Interest	180,410	-	-	-	-	180,410	203,955
Capital outlay	-	-	-	-	352,444	352,444	107,209
Cost of sales	-	-	103,224	-	-	103,224	115,673
Other expenses	-	-	6,316	-	-	6,316	3,024
<b>Total expenditures</b>	<b>11,987,215</b>	<b>348,077</b>	<b>282,940</b>	<b>-</b>	<b>352,444</b>	<b>12,970,676</b>	<b>12,944,230</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>600,787</b>	<b>-</b>	<b>(36,954)</b>	<b>1,126</b>	<b>(352,444)</b>	<b>212,515</b>	<b>129,487</b>
<b>Other sources and uses</b>							
Operating transfers in	-	-	25,000	-	-	25,000	132,209
Operating transfers out	(25,000)	-	-	-	-	(25,000)	(132,209)
<b>Total other sources (uses)</b>	<b>(25,000)</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<b>575,787</b>	<b>-</b>	<b>(11,954)</b>	<b>1,126</b>	<b>(352,444)</b>	<b>212,515</b>	<b>129,487</b>
Fund equity, beginning of year	1,697,254	-	51,572	346,528	-	2,095,354	1,965,867
<b>Fund equity (deficit), end of year</b>	<b>\$ 2,273,041</b>	<b>\$ -</b>	<b>\$ 39,618</b>	<b>\$ 347,654</b>	<b>\$ (352,444)</b>	<b>\$ 2,307,869</b>	<b>\$ 2,095,354</b>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2020**

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total (memo only) 6/30/2020	Total (memo only) 6/30/2019
<b>Assets</b>				
Cash	\$ 24,036	\$ 101,666	\$ 125,702	\$ 114,084
Accounts receivable	-	101	101	103
Total assets	\$ 24,036	\$ 101,767	\$ 125,803	\$ 114,187
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 2,013	\$ 2,013	\$ 1,026
Due to other funds	4,666	26,246	30,912	20,378
Student extraclassroom activity funds	-	73,508	73,508	70,519
Total liabilities	4,666	101,767	106,433	91,923
<b>Net position</b>				
Reserved for scholarships	19,370	-	19,370	22,264
Total liabilities and net position	\$ 24,036	\$ 101,767	\$ 125,803	\$ 114,187

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 6

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	6/30/2020	6/30/2019
<b>Additions</b>		
Gifts and contributions	\$ -	\$ 6,000
Interest earnings	24	44
<b>Deductions</b>		
Scholarships awarded	2,918	2,753
<b>Change in net position</b>	(2,894)	3,291
Net position - beginning of year	22,264	18,973
<b>Net position - end of year</b>	<u>\$ 19,370</u>	<u>\$ 22,264</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020**

<b>Total fund balances - governmental funds</b>		\$ 2,307,869
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:</p>		
Cost of the assets	\$ 25,181,027	
Accumulated depreciation	<u>(9,850,322)</u>	15,330,705
<p>District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.</p>		
		728,229
<p>Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		(6,000)
<p>Net deferred outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.</p>		
		1,940,390
<p>Net deferred outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions.</p>		
		(23,281)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:</p>		
Bonds payable	(7,220,000)	
Net pension liability	(980,114)	
Other post-employment benefits	(199,834)	
Compensated absences	<u>(313,497)</u>	(8,713,445)
<b>Total net position - governmental activities</b>		<u>\$ 11,564,467</u>



	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash and short-term investments	\$ 1,865,334	\$ -	\$ -	\$ -	\$ 1,865,334
Due from other funds	800,247	-	-	(769,335)	30,912
State and federal aid receivable	499,715	-	-	-	499,715
Other receivables	465	-	-	-	465
Due from other governments	472,398	-	-	-	472,398
Inventories	4,146	-	-	-	4,146
Net pension asset	-	728,229	-	-	728,229
Capital assets, net	-	15,330,705	-	-	15,330,705
Total assets	3,642,305	16,058,934	-	(769,335)	18,931,904
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions and OPEB	-	3,048,661	-	-	3,048,661
Total assets and deferred outflows of resources	\$ 3,642,305	\$ 19,107,595	\$ -	\$ (769,335)	\$ 21,980,565
<b>Liabilities, Deferred Inflows of Resources and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable	\$ 20,449	\$ -	\$ -	\$ -	\$ 20,449
Accrued liabilities	54,107	-	-	-	54,107
Accrued interest	-	-	6,000	-	6,000
Due to other funds	769,335	-	-	(769,335)	-
Due to other governments	3,233	-	-	-	3,233
Due to retirement systems	487,312	-	-	-	487,312
Bonds payable	-	-	7,220,000	-	7,220,000
Net pension liability	-	-	980,114	-	980,114
Other post-employment benefits	-	-	199,834	-	199,834
Compensated absences	-	-	313,497	-	313,497
Total liabilities	1,334,436	-	8,719,445	(769,335)	9,284,546
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions and OPEB	-	-	1,131,552	-	1,131,552
Total liabilities and deferred inflows of resources	1,334,436	-	9,850,997	(769,335)	10,416,098
<b>Fund equity and net position</b>					
	2,307,869	19,107,595	(9,850,997)	-	11,564,467
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 3,642,305	\$ 19,107,595	\$ -	\$ (769,335)	\$ 21,980,565

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**Total net change in fund balances - governmental funds** \$ 212,515

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 352,444	
Depreciation expense	<u>(608,549)</u>	(256,105)

Repayment of bond principal is an expenditure the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 1,215,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,000

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. (639,955)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contribution to the OPEB plan. (3,588)

In the statement of activities, certain operating expenses - compensated absences 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:

Compensated absences	<u>79,127</u>	
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**Change in net position of governmental activities** \$ 608,994

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 7,738,332	\$ -	\$ -	\$ -	\$ 7,738,332
Charges for services	43,589	-	-	(43,589)	-
Use of money and property	125,517	-	-	-	125,517
Sale of property compensation for loss	2,888	-	-	-	2,888
Miscellaneous	130,095	-	-	(721)	129,374
State sources	4,471,993	-	-	(68,811)	4,403,182
Federal sources	587,787	-	-	(441,502)	146,285
Surplus food	5,779	-	-	(5,779)	-
Sales (school food service)	77,211	-	-	(77,211)	-
Total revenue	13,183,191	-	-	(637,613)	12,545,578
<b>Expenditures</b>					
General support	1,729,835	109,899	-	125,204	1,964,938
Instruction	6,667,283	458,123	(79,127)	1,934,346	8,980,625
Pupil transportation	588,069	40,527	-	147,022	775,618
Employee benefits	2,128,095	-	643,543	(2,771,638)	-
Debt service	1,395,410	-	(1,217,000)	-	178,410
Capital outlay	352,444	(352,444)	-	-	-
Cost of sales	103,224	-	-	(66,231)	36,993
Other expenses	6,316	-	-	(6,316)	-
Total expenditures	12,970,676	256,105	(652,584)	(637,613)	11,936,584
Excess (deficiency) of revenue over expenditures	212,515	(256,105)	652,584	-	608,994
<b>Other sources and uses</b>					
Operating transfers in	25,000	-	-	(25,000)	-
Operating transfers out	(25,000)	-	-	25,000	-
Total other sources and uses	-	-	-	-	-
<b>Net change for year</b>	\$ 212,515	\$ (256,105)	\$ 652,584	\$ -	\$ 608,994

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

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

**A. Reporting Entity**

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

**1. The Extraclassroom Activity Funds**

The extraclassroom activity funds of the *Ellicottville Central School District* represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) are available at the District's offices.

**B. Joint Venture**

The *Ellicottville Central School District* is one of 22 component school districts in the Cattaraugus-Allegany Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Joint Venture (continued)**

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

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

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

During the year, the District was billed approximately \$2,050,000 for BOCES administration and program costs. The District's share of BOCES aid, rentals and refunds amounted to approximately \$621,000 for the year ended June 30, 2020. Financial statements for the Cattaraugus-Allegany BOCES are available at the BOCES administrative offices in Olean, New York.

**C. Basis of Presentation**

**1. District-wide Statements**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**1. District-wide Statements (continued)**

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

**2. Fund Financial Statements**

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

The District reports the following major governmental funds:

**General** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Aid** - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

**Food Service** - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

**Capital Projects** - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. This fund is also utilized to account for the purchase of transportation vehicles.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**2. Fund Financial Statements (continued)**

**Debt Service** - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

**Fiduciary Fund Types** - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

Fiduciary Funds include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting.

**D. Measurement Focus and Basis of Accounting**

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

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

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**E. Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

**F. Inventory**

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

**G. Investments**

Investments are stated at current market value.

**H. Capital Assets**

Capital assets are reported at actual cost and, estimated historical costs, based on an appraisal conducted by independent third-party professions. Costs, as of September 2016, were estimated based on reverse trending techniques applied against the estimates of current replacement cost.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets (continued)**

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	40 years
Land improvements	\$ 5,000	Straight-line	25-30 years
Furniture and equipment	\$ 5,000	Straight-line	5-20 years
Transportation vehicles	\$ 5,000	Straight-line	8 years

**I. Due To/From Other Funds**

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

**J. Compensated Absences**

Sick Leave Pay- certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems.

The District has recorded an estimated liability in the District-wide financial statement amounting to \$313,497 to recognize the cost of the incentive benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable. The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the District-wide financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Unearned Revenue**

Unearned revenue is reported on the District's combined balance sheet. Unearned Revenue arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**L. Deferred Inflows and Outflows of Resources**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Post-Employment Benefits**

In addition to the retirement benefits described in Note 3V, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. The District recognizes the net cost of providing health insurance in the governmental funds when paid. The Statement of Net position reports the computed District liability at year-end and the Statement of Activities reports the net increase or decrease in the liability as expense.

**N. Fund Equity**

**1. Governmental Funds**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

**A. Nonspendable**

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

**1. Inventory Reserve**

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

**B. Restricted**

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**1. Unemployment Reserve**

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations next fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

**2. Reserve for Retirement System Credits**

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

**3. Reserve for Employee Benefits**

The purpose of this reserve is for the payment of any accrued employee benefit due to an employee upon termination of the employee's service. This reserve fund may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**4. Debt Service Reserve**

This reserve is used for the purpose of retiring the outstanding obligation upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay the debt service of the obligations from

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**4. Debt Service Reserve (continued)**

which they originated. This reserve is accounted for in the Debt Service Fund.

**5. Tax Certiorari Reserve**

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

**6. Workers' Compensation Reserve**

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next fiscal year's budget. The reserve is accounted for in the General Fund.

**7. Endowment Scholarships Reserve**

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution. This reserve is accounted for in the private purpose trust fund.

**8. Reserve for Repairs**

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund this reserve. Expenditures from this reserve may



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**8. Reserve for Repairs (continued)**

be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public hearing with approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

**9. Reserve for Insurance**

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law. The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

**C. Committed**

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2020.

**D. Assigned**

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

**1. Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**D. Assigned (continued)**

**1. Encumbrance Accounting (continued)**

reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2020 totaled \$36,516.

**2. Appropriated Fund Equity**

General Fund - The amount of \$540,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2021 as allowed by Section 1318 of the Real Property Tax Law.

**E. Unassigned**

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

**2. Government-wide financial statements**

**A. Net Investment in Capital Assets**

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**B. Restricted**

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

**C. Unrestricted**

This category represents net position of the District not restricted for any other purpose.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**3. Order of Fund Balance Spending Policy**

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

**O. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted during the fiscal year ended June 30, 2020, the District had a supplemental appropriations related to the library and bus lease in the amounts of \$32,042 and \$35,382, respectively.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Budgetary Procedures and Budgetary Accounting (continued)**

**2. Budget Basis for Accounting**

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

**P. Property Taxes**

**1. Calendar**

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

**2. Enforcement**

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District resident is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

**Q. Interfund Transfers**

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

**R. Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**S. Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation.

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

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

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

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. These categories are more fully explained below:

**1. Long-term Revenue Differences**

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

**2. Capital Related Differences**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported

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

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

**2. Capital Related Differences (continued)**

on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**3. Long-term Debt Transaction Differences**

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

**4. Pension Differences**

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

**5. OPEB Differences**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**I. Cash**

The *Ellicottville Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**I. Cash (continued)**

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2020, the District's bank deposits were fully collateralized.

**A. Deposits**

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2020 per the bank were approximately \$1,794,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$265,000	\$1,529,000	\$ -	\$1,794,000

**B. Investments**

Investments are stated at current market value and are categorized as either:

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

Type	Interest Rates	Maturity Date	Market Value
Five Star Bank – Unemployment	.20%	6/19/21	\$ 60,126
Five Star Bank – Repair Reserve	.40%	4/23/21	121,092
			<u>\$ 181,218</u>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Investments (continued)**

These investments are held in the School District's name. As of June 30, 2020, the cost of the District's investments approximated market value. The market value of the investments as of June 30, 2020 is based on unadjusted quoted prices in active markets for identical assets and liabilities.

**II. Interfund Transactions**

Interfund balances and transactions as of and during the year ended June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 788,769	\$ 12,335
Food Service Fund	-	118,898
Special Aid Fund	11,473	187,204
Debt Service Fund	5	-
Capital Fund	-	450,898
Trust & Agency Fund	-	26,246
Private Purpose Trusts Fund	-	4,666
Total	<u>\$ 800,247</u>	<u>\$ 800,247</u>

	Interfund Revenue	Interfund Expenditures
Special Aid Fund	\$ -	\$ -
Food Service Fund	25,000	-
Debt Service Fund	-	-
Capital Projects Fund	-	-
General Fund	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 25,000</u>

During the year ended June 30, 2020, the District transferred \$25,000 from the general fund to the food service fund to subsidize operations in the cafeteria.

**III. Receivables**

Receivables at June 30, 2020 consisted of the following and management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Special Aid	State and Federal Aid	\$ 157,728
Food Service	State and Federal Aid	16,915
Food Service	Other Receivables	-
General	State and Federal Aid	325,072
General	Due from Other Governments	472,398
General	Other Receivables	465
Capital	State and Federal Aid	-
		<u>\$ 972,578</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**IV. Capital Assets**

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

	Beginning Balance 06/30/19	Net change	Ending Balance 06/30/20
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 5,151	-	\$ 5,151
Construction-in-progress	-	352,447	352,444
Capital assets that are depreciated:			
Buildings and improvements	23,456,919	-	23,456,919
Furniture and equipment	1,384,328	(17,815)	1,366,513
Total depreciable historical cost	24,841,247	(17,815)	24,823,432
Less accumulated depreciation:			
Buildings and improvements	8,147,497	542,472	8,689,969
Furniture and equipment	1,112,091	48,262	1,160,353
Total accumulated depreciation	9,259,588	590,734	9,850,322
Total net book value	<u>\$15,586,810</u>		<u>\$15,330,705</u>

Depreciation expense was charged to governmental functions during the current year as follows:

General support	\$ 109,899
Instruction	458,123
Pupil transportation	40,527
	<u>\$ 608,549</u>

The District had capital additions in the amount of \$352,444 related to the 2019 capital improvements project.

**V. Liabilities**

**A. Pension Plans**

**1. Plan Descriptions and Benefits Provided**

**a. Teachers' Retirement System (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**1. Plan Descriptions and Benefits Provided (continued)**

**a. Teachers' Retirement System (TRS) (continued)**

The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nystsr.org](http://www.nystsr.org).

**b. Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**1. Plan Descriptions and Benefits Provided (continued)**

**b. Employees' Retirement System (ERS) (continued)**

Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. 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 by writing to the NYS and Local Retirement System, 110 State Street, Albany, NY 12244.

**2. Contributions**

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

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

Year		TRS		ERS
2020	\$	423,000	\$	181,000
2019		497,000		189,000
2018		450,000		200,000

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**2. Contributions (continued)**

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2020.

**3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial measurement date	3/31/2020	6/30/2019
Net pension asset/(liability)	\$ (980,114)	\$ 728,229
District's portion of the Plan's total net pension asset/(liability)	.0037013%	.028030%

For the year ended June 30, 2020, the District recognized pension expense of \$354,807 for ERS and \$885,738 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 57,684	\$ 493,502	\$ -	\$ 54,152
Changes of assumptions	19,735	1,375,721	17,041	335,440
Net difference between projected and actual earnings on pension plan investments	502,454	-	-	584,002
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	65,813	41,278	30,605	63,493
District's contributions subsequent to the measurement date	46,111	422,825	-	-
<b>Total</b>	<b>\$ 691,797</b>	<b>\$ 2,333,326</b>	<b>\$ 47,646</b>	<b>\$ 1,037,087</b>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, along with contributions subsequent to the measurement date, will be recognized in pension expense as follows:

	ERS	TRS
Year ending:		
2021	\$ 110,766	\$ 317,538
2022	154,165	8,982
2023	185,532	316,344
2024	147,578	219,716
2025	-	32,688
Thereafter	-	(21,854)

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/2020	6/30/2019
Actuarial valuation date	4/1/2019	6/30/2018
Interest rate	6.8%	7.10%
Salary scale	4.2% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on generational basis.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions (continued)**

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 below:

Measurement date	ERS 3/31/20	Expected Rate of Return	TRS 6/30/19	Expected Rate of Return
<b>Asset Type:</b>				
Domestic Equity	36%	4.50%	33%	6.3%
International Equity	14%	6.15%	16%	7.8%
Global Equity	-%	-%	4%	7.2%
Private Equity	10%	6.75%	8%	9.9%
Real Estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%	-%	-%
Opportunistic portfolio	3%	4.65%	-%	-%
Real assets	3%	5.95%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	0.9%
Real estate debt	-%	-%	7%	2.9%
Private debt	-%	-%	1%	6.5%
Short-term	-%	-%	1%	0.3%
High-yield fixed income	-%	-%	1%	3.5%
Bonds and Mortgages	17%	.75%	-%	-%
Cash	1%	-%	-%	-%
Inflation-indexed bonds	4%	.5%	-%	-%
<b>Total:</b>	<b>100%</b>		<b>100%</b>	

**5. Discount Rate**

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).



**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,798,786)	\$ (980,114)	\$ 226,114
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (3,287,147)	\$ 728,229	\$ 4,096,676

**7. Pension Plan Fiduciary Net Position**

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

Measurement date	(Dollars in Thousands)	
	ERS 3/31/2020	TRS 6/30/2019
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan net position	\$ 168,115,682	\$ 122,477,481
Employers' net pension asset/(liability)	\$ (26,480,579)	\$ 2,598,007
Ratio of plan net position to be Employers' total pension asset/(liability)	86.39%	102.2%

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**8. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$46,111.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$441,201 (employer contribution \$422,825 and employee contributions of \$18,376).

**B. Other Post-Employment Benefits**

**Plan Description**

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and vision insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

**Employees Covered by Benefit Terms**

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	17
Currently receiving benefit payments	99
Active employees	116

**Total OPEB Liability**

The District's total OPEB liability of \$199,834 was measured as of July 1, 2019 for the fiscal year ending June 30, 2020.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

The discount rate was based on Fidelity 20-Year Go Municipal Bond Index.

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table.

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-July 1, 2018.

Changes in the Total OPEB Liability

Service Costs	\$ 10,616
Interest	7,940
Differences between expected and actual experience	(11,876)
Changes in assumptions	4,635
Benefit payments	(11,936)
Net change in total OPEB liability	(621)
Net OPEB liability – beginning of year	200,455
Net OPEB liability – end of year	<u>\$ 199,834</u>

Actuarial Assumptions and Other Inputs

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

*Inflation* – 2.5%

*Salary Increases*

Years of Service	Non-Teachers	Teachers/ Administrators
0	8.00%	10.00%
10	3.80%	4.07%
20	3.00%	2.82%
30	3.00%	2.06%
40	3.00%	1.76%

*Discount Rate* – 3.51%

*Healthcare Cost Trend Rates* – 7.5% for 2020, decreasing 0.5% to 4.5% for 2026 and later.

*Retirees' Share of Benefit-Related Costs* – Retirees are required to pay the full premium rate.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

Sensitivity of the Total OPEB Liability to changes in the Discount

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

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 213,059	\$ 199,834	\$ 187,144

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Costs

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.5%- 3.5%)	Discount Rate (7.5%- 4.5%)	1% Increase (8.5%- 5.5%)
Total OPEB liability	\$ 178,348	\$ 199,834	\$ 224,844

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$13,912. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 33,922
Changes of assumptions or other inputs	13,214	12,897
Benefits paid subsequent to measurement date	10,324	-
Total	<u>\$ 23,538</u>	<u>\$ 46,819</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

Year ended:	Amount
2021	\$ (4,644)
2022	(4,644)
2023	(4,644)
2024	(4,644)
2025	(4,641)
Thereafter	(10,388)
Total	\$ <u>(33,605)</u>

**C. Indebtedness**

**1. Short-Term Debt**

**a. Bond Anticipation Notes**

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. As of June 30, 2020 the District did not have any outstanding BANs.

**b. Short-Term Debt Interest**

The District had \$- of short-term interest for both years ended June 30, 2020 and June 30, 2019.

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2020, the total indebtedness represents approximately 8% of its debt limit.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**b. Serial Bonds**

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

**c. Changes**

The changes in the School District's indebtedness during the year ended June 30, 2020 and 2019 are summarized as follows:

	Balance June 30, 2020	Balance June 30, 2019
2007 Serial Bonds	\$ 95,000	\$ 130,000
2014 Advance Refunding Bond	-	495,000
2016 Serial Bonds	7,125,000	7,810,000
Other post-employment benefits	199,834	200,455
Net pension liability	980,114	294,718
Compensated absences	313,497	392,624
	<u>\$ 8,713,445</u>	<u>\$ 9,322,797</u>

During the year, the District made principal payments on its serial bonds in the amount of \$1,215,000. The net change in compensated absences was a decrease of \$79,127 during the fiscal year ended June 30, 2020. The net change in other post-employment benefits was a decrease of \$621 during the fiscal year ended June 30, 2020. The net pension liability increased \$685,396 during the current year.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**d. Maturity**

1. The following is a summary of serial bonds indebtedness:

Description of Issue	Outstanding at June 30, 2020
Serial Bonds, issued in 2007 with a maturity date of 2023, bonds carry interest at 4.45%.	\$ 95,000
Serial Bonds, issued in 2016 with a maturity date of 2031, bonds carry interest at 2%-2.5%.	7,125,000
	<u>\$ 7,220,000</u>

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

Year	Principal payments	Interest payments
2021	\$ 735,000	\$ 155,253
2022	660,000	139,695
2023	655,000	125,515
2024	645,000	111,925
2025	660,000	99,025
2026-2030	3,370,000	292,675
2031	495,000	12,375
Total	<u>\$ 7,220,000</u>	<u>\$ 936,463</u>

**e. Long-Term Debt Interest**

Interest expenditures for long-term debt are recognized on a cash basis, when amounts become due and payable. The District recognized \$180,410 of expenditures for long-term debt interest in the governmental fund financial statements during the fiscal year ended June 30, 2020.

**VI. Fund Equity**

**A. District-wide Net Position**

Net position of the District includes restricted net position of \$ 976,155 which represents restricted amounts in the general and debt service funds as presented above.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VI. Fund Equity (continued)**

**B. Fund Equity**

The District's fund equity is comprised of various components.

Category/Fund	Description	Balance June 30, 2020
<b>Nonspendable:</b>		
Food Service	Inventory	<u>\$ 4,146</u>
<b>Restricted:</b>		
General	Reserve for employee benefits	\$ 310,279
	Employee retirement reserve	137,034
	Unemployment insurance reserve	60,096
	Reserve for repairs	<u>121,092</u>
		<u>\$ 628,501</u>
Debt Service	Reserve for debt service	<u>\$ 347,654</u>
Trust and Agency	Reserve for endowment scholarships	<u>\$ 19,370</u>
<b>Assigned:</b>		
General	Reserve for encumbrances	\$ 36,516
	Appropriated fund balance	<u>540,000</u>
		<u>\$ 576,516</u>
Food Service	Fund equity	<u>\$ 35,472</u>

**C. Deficit Fund Balance**

The District's capital project fund had an accumulated deficit in the amount of \$352,444 as of June 30, 2020. It is not uncommon for school districts to have deficit fund balances in the capital projects fund as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are redeemed at which time such proceeds are recorded as other financing source revenue.

**VII. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

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

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies (continued)**

**A. Risk Financing and Related Insurance (continued)**

**2. Risk Sharing Pools**

For its employee health and accident coverage, *Ellicottville Central School District* is a participant in the Cattaraugus-Allegany Regional Medical Plan, a public entity risk pool operated for the benefit of 23 individual governmental units located within Allegany and Cattaraugus Counties. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$100,000 per insured event. The Cattaraugus-Allegany Regional Medical Plan obtains independent coverage for insured events in excess of this amount.

The *Ellicottville Central School District* also participates in a risk sharing pool, Cattaraugus-Allegany BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

**B. Federal and State Grants**

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

**C. Compensated Absences**

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$290,000 as of June 30, 2020 for accumulating non-vesting sick leave.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies (continued)**

**D. Contingencies**

The District, in the normal course of its operations, is involved in various litigation, arbitration cases and tax appeals. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

**E. Bus Leases**

The District has entered into bus leases for two 66 passenger buses for the period 2017-2022 (lease #1), two 66 passenger buses for the period 2016-2021 (lease #2), two 66 passenger buses for the period 2015-2020 (lease #3), two 66 passenger buses for the period 2018-2023 (lease #4), one 66 passenger bus for the period 2019-2024 (lease #5), and two 30 passenger buses for the period of 2019-2024 (lease #6).

Lease payments are being recorded as transportation expenditures in the General Fund and will be offset with State Aid. The District does not expect to retain the buses at the end of the lease term. Lease payments totaled \$163,068 for the year ended June 30, 2020.

Year Ending	Lease #1	
	Principal payments	Interest payments
8/20/2020	\$ 30,600	\$ 3,971
8/20/2021	30,600	3,105
6/30/2022*	70,000	1,943
Total	\$ 131,200	\$ 9,019

Year Ending	Lease #2	
	Principal payments	Interest payments
8/15/2020	\$ 31,880	\$ 2,823
6/30/2021*	70,000	1,725
Total	\$ 101,880	\$ 4,548

Year Ending	Lease #3	
	Principal payments	Interest payments
6/30/2020*	\$ 76,400	\$ 1,650
Total	\$ 76,400	\$ 1,650

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies (continued)**

**E. Bus Leases (continued)**

Year Ending	Lease #4	
	Principal payments	Interest payments
8/15/2020	\$ 34,936	\$ 5,809
8/15/2021	34,936	4,738
8/15/2022	34,936	3,626
6/30/2023*	69,400	2,169
Total	\$ 174,208	\$ 16,342

Year Ending	Lease #5	
	Principal payments	Interest payments
8/25/2020	\$ 17,356	\$ 2,871
8/25/2021	17,356	2,437
8/25/2022	17,356	1,989
8/25/2023	17,356	1,528
6/30/2024*	30,000	896
Total	\$ 99,424	\$ 9,721

Year Ending	Lease #6	
	Principal payments	Interest payments
8/25/2020	\$ 18,026	\$ 2,987
8/25/2021	18,026	2,536
8/25/2022	18,026	2,072
8/25/2023	18,026	1,593
6/30/2024*	37,600	933
Total	\$ 109,704	\$ 10,121

Each lease is structured where the District has the option of making the final payment to buy the rights to the bus. The "\*" denoted in the tables above are the final payments for each lease to purchase the legal rights to the bus. The District has never exercised the option of purchasing a bus at the end of its lease term. Rather, the District turns the bus back in to the leasing company prior to the end of the term, therefore these leases are considered operating leases and are expended in the government wide financial statements.

**NOTE 4 - CAPITAL PROJECTS**

In December 2019, voters of the *Ellicottville Central School District* voted to approve a capital improvement project at a maximum cost of \$8,400,000 for the reconstruction and renovation of various District buildings and facilities. Total expenses incurred toward the project amounted to \$352,447 during the year ended June 30, 2020.

**NOTE 5 – COVID 19 PANDEMIC**

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. As a result, the District was forced to close its school buildings and move to a remote learning environment for the remainder of the school year. The District froze certain spending but maintained the majority of its workforce and contracted services. The District also provided free breakfast and lunches to all students (except those who opted out) through the Federal Seamless Summer Option program.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The New York State Department of Education has allocated approximately \$96,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. As of June 30, 2020 the District has not applied any expenditures against this funding. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

Lastly, New York State enacted 2020-21 budget grants the authority to the Division of Budget (DOB) Director to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB which includes the ability to withhold and reduce specific local aid payments during the fiscal year. The State budget is deemed out of balance for the fiscal year, and the Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31).

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

**NOTE 6 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 29, 2020, which is the date the financial statements were available to be issued.

For the 2020-21 year, the District is following its reopening plan that was submitted to New York State in July 2020. The District will continue to evaluate the plan and make necessary changes based on District assessments, along with County and State guidance.

***SUPPLEMENTARY INFORMATION***

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items*	\$ 7,663,241	\$ 7,730,665	\$ 7,738,332	\$ 7,667
Charges for services	60,500	60,500	43,589	(16,911)
Use of money and property	114,000	114,000	124,352	10,352
Sale of property and compensation for loss	-	-	2,888	2,888
Miscellaneous	100,000	100,000	129,374	29,374
<b>State Sources:</b>				
Basic formula	4,213,816	4,213,816	3,978,681	(235,135)
BOCES	353,013	353,013	380,103	27,090
Textbooks	39,227	39,227	19,217	(20,010)
All other aid	-	-	25,181	25,181
<b>Federal Sources:</b>				
Medicaid reimbursement	80,000	80,000	146,285	66,285
<b>Total revenue</b>	<b>12,623,797</b>	<b>12,691,221</b>	<b>\$ 12,588,002</b>	<b>\$ (103,219)</b>
Appropriated fund equity, and carryover encumbrances	450,000	452,053		
<b>Total revenue, and appropriated fund equity</b>	<b>\$ 13,073,797</b>	<b>\$ 13,143,274</b>		

\* Change of \$67,424 represents separate propositions approved by voters for taxes to be raised for payment toward Ellicottville Memorial Library (\$32,042) and bus lease payments (\$35,382)



	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 27,785	\$ 31,117	\$ 25,764	\$ 690	\$ 4,663
Central administration	195,732	195,000	191,057	141	3,802
Finance	185,509	226,202	215,561	385	10,256
Staff	223,951	229,976	223,268	1,807	4,901
Central services	808,448	883,625	761,676	10,654	111,295
Special items	190,984	189,444	184,785	-	4,659
<b>Instructional:</b>					
Instruction, administration and improvement	418,478	418,478	373,954	577	43,947
Teaching - regular school Programs for children with handicapping conditions	4,048,633	4,055,686	3,900,895	2,422	152,369
Teaching - special schools	1,065,634	1,065,634	932,339	-	133,295
Occupational education	11,675	11,675	(44,661)	-	56,336
Instructional media	330,590	330,590	317,360	-	13,230
Pupil services	395,294	395,294	329,773	3,482	62,039
	636,963	636,963	509,546	8,524	118,893
<b>Pupil Transportation</b>	684,426	719,808	588,069	7,669	124,070
<b>Employee Benefits</b>	2,429,285	2,333,372	2,082,419	165	250,788
<b>Debt Service:</b>					
Debt service principal	1,215,000	1,215,000	1,215,000	-	-
Debt service interest	180,410	180,410	180,410	-	-
<b>Total expenditures</b>	<b>13,048,797</b>	<b>13,118,274</b>	<b>11,987,215</b>	<b>36,516</b>	<b>1,094,543</b>
<b>Other Uses:</b>					
Transfer to other funds	25,000	25,000	25,000	-	-
<b>Total other uses</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>	<b>-</b>
<b>Total expenditures and other uses</b>	<b>\$ 13,073,797</b>	<b>\$ 13,143,274</b>	<b>12,012,215</b>	<b>\$ 36,516</b>	<b>\$ 1,094,543</b>
<b>Excess of revenue and other sources over expenditures and other uses</b>			<b>\$ 575,787</b>		

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 6,000	\$ 5,952	\$ (48)
Federal sources	142,000	156,284	14,284
Sales	119,050	77,211	(41,839)
Miscellaneous	-	721	721
Surplus food	-	5,779	5,779
Use of money and property	50	39	(11)
Total revenue	<u>267,100</u>	<u>245,986</u>	<u>(21,114)</u>
<b>Expenditures</b>			
General support	117,500	127,724	(10,224)
Employee benefits	45,085	45,676	(591)
Cost of sales	120,515	103,224	17,291
Other expenses	9,000	6,316	2,684
Total expenditures	<u>292,100</u>	<u>282,940</u>	<u>9,160</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(25,000)</u>	<u>(36,954)</u>	<u>(11,954)</u>
<b>Other sources (uses)</b>			
Transfer from general fund	25,000	25,000	-
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ -</u>	<u>(11,954)</u>	<u>\$ (11,954)</u>
Fund equity, beginning of year		<u>51,572</u>	
<b>Fund equity, end of year</b>		<u>\$ 39,618</u>	

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule SS2

**Page 39**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 13,073,797
<b>Additions:</b>	
Prior year encumbrances	2,053
<b>Original Budget</b>	13,075,850
<b>Budget Revisions:</b>	
Supplemental appropriation - Bus Lease Payments	35,382
Supplemental appropriation - Ellicottville Memorial Library	32,042
<b>Final budget</b>	<u>\$ 13,143,274</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

<b>2020-21 voter-approved expenditure budget</b>	<b>\$ 13,216,872</b>
<b>Maximum allowed (4% of 2020-21 budget)</b>	<b>528,675</b>

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

<b>Unrestricted fund balance:</b>	
Committed fund balance	\$ -
Assigned fund balance	576,516
Unassigned fund balance	1,068,024
Total unrestricted fund balance	<u>1,644,540</u>
<b>Less:</b>	
Appropriated fund balance	540,000
Encumbrances included in committed and assigned fund balance	36,516
Total adjustments	<u>576,516</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u>\$ 1,068,024</u></b>
<b>Actual percentage</b>	<b><u>8.1%</u></b>

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

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule SS3**

**Page 40**

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Capital Improvements Project - 2019	\$ 8,400,000	\$ 8,400,000	\$ -	\$ 352,444	\$ 352,444	\$ 8,047,556	\$ -	\$ -	\$ -	\$ -	\$ (352,444)
	<u>\$ 8,400,000</u>	<u>\$ 8,400,000</u>	<u>\$ -</u>	<u>\$ 352,444</u>	<u>\$ 352,444</u>	<u>\$ 8,047,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (352,444)</u>

**See accompanying independent auditor's report.**

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**BUDGET COMPARISON STATEMENT FOR STATE AND**  
**OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule SS4A

**Page 41**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	2020	N/A	\$ 29,117	\$ 29,117
Universal Pre-kindergarten	0409-20-7177	2020	\$ 33,742	33,742	33,742
School breakfast programs	N/A	2020	N/A	2,385	2,385
School lunch programs	N/A	2020	N/A	3,567	3,567
			<u>\$ 33,742</u>	<u>\$ 68,811</u>	<u>\$ 68,811</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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Schedule SS4B

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Ellicottville Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Basis of Accounting**

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

**Note 2 - Non-monetary Federal Program**

The accompanying **Ellicottville Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2020, the District reported in the Schedule of Federal Awards \$5,779 of donated commodities at fair market value received and disbursed.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Schedule SS4C**

**Page 42**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>US Department of Education:</b>					
Direct Program:					
REAP Grant	84.215F	N/A	\$ 38,251	\$ 38,251	\$ 38,251
<b>US Department of Education:</b>					
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
Title I	84.010A	0021-20-0220	88,407	88,407	88,407
Title II, Part A	84.367A	0147-20-0220	15,434	15,434	15,434
Title IV	84.424A	0204-20-0220	10,000	10,000	10,000
IDEA Part B, Section 611 **	84.027A	0032-20-0074	132,352	132,352	132,352
IDEA Part B, Section 619 **	84.173A	0033-20-0074	774	774	774
<b>US Department of Agriculture:</b>					
<b>Passed through NYS</b>					
<b>Department of Education:</b>					
National School Breakfast Program ***	10.553	N/A	N/A	27,174	27,174
COVID-19 Seamless Summer Option (National Breakfast Program) ***	10.553	N/A	N/A	21,906	21,906
National School Lunch Program ***	10.555	N/A	N/A	73,508	73,508
COVID-19 Seamless Summer Option (National Lunch Program) ***	10.555	N/A	N/A	33,696	33,696
<b>Passed through NYS</b>					
<b>Office of General Services:</b>					
National School Lunch Program ***					
Noncash assistance (commodities)	10.555	N/A	N/A	5,779	5,779
<b>Total expenditures and revenue</b>				<b>\$ 447,281</b>	<b>\$ 447,281</b>

\*\* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 133,126  
\*\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 162,063

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2020**

Schedule SS5

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Capital Assets	\$ 15,330,705
Less:	
Serial bonds	<u>(7,220,000)</u>
Net investment in capital assets	<u><u>\$ 8,110,705</u></u>



**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S NET**  
**OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2020**

**Schedule SS6**

**Page 44**

As of the measurement date of July 1,	2019	2018	2017	2016
<b>Total OPEB Liability</b>				
Service cost	\$ 10,616	\$ 12,199	\$ 13,694	\$ 11,451
Interest	7,940	7,967	6,914	7,805
Differences between expected and actual experience	(11,876)	(18,631)	(13,561)	-
Changes in assumptions	4,635	(8,514)	(9,413)	15,384
Benefit payments	(11,936)	(8,221)	(10,050)	(9,221)
Net change in total OPEB liability	(621)	(15,200)	(12,416)	25,419
Total OPEB liability - beginning	200,455	215,655	228,071	202,652
Total OPEB liability - ending	\$ 199,834	\$ 200,455	\$ 215,655	\$ 228,071
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 11,936	\$ 8,221	\$ 10,050	\$ 9,221
Net investment income	-	-	-	-
Benefit payments	(11,936)	(8,221)	(10,050)	(9,221)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -
District's net OPEB liability	\$ 199,834	\$ 200,455	\$ 215,655	\$ 228,071
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 5,515,125	\$ 5,380,610	\$ 5,207,737	\$ 5,140,905
District's net OPEB liability as a percentage of covered-employee payroll	3.6%	3.7%	4.1%	4.4%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - 3.87% at July 1, 2018 to 3.51% at July 1, 2019

Health care trend rates from 8.0% through 5.0% as of July 1, 2018 to 7.5% to 4.5% as of July 1, 2019

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB**  
**FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2020**

**Schedule SS7**

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For the year ended June 30,	2020	2019	2018	2017
Actuarially determined contributions	\$ 11,936	\$ 8,221	\$ 10,050	\$ 9,221
Contributions in relation to the actuarially determined contribution	(11,936)	(8,221)	(10,050)	(9,221)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,515,125	\$ 5,380,610	\$ 5,207,737	\$ 5,140,905
Contributions as a percentage of District's covered-employee payroll	0.22%	0.15%	0.19%	0.18%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.51% as of June 30, 2020 and 3.87% as of July 1, 2019
Inflation	2.5% per year
Healthcare cost trend rates	2020 - 7.5%. Rates expected to decrease each year thereafter with an ultimate rate of 4.5% after 2026.
Salary increases	Based on NYSERS and NYSTRS valuations. RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018
Mortality	Retirees are required to pay the full premium rate.
Retiree Cost Sharing	99 Active and 17 Retirees
Participants	

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS**  
**FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2020**

**Schedule SS8**

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***New York State Teachers' Retirement System***

For the year ended June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 422,825	\$ 496,879	\$ 449,711	\$ 532,733	\$ 598,234	\$ 739,769	\$ 686,391
Contributions in relation to the contractually required contribution	(422,825)	(496,879)	(449,711)	(532,733)	(598,234)	(739,769)	(686,391)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,772,291	\$ 4,678,710	\$ 4,588,888	\$ 4,545,503	\$ 4,511,569	\$ 4,220,017	\$ 4,223,945
Contributions as a percentage of District's covered-employee payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

***New York State Local Employees' Retirement System***

For the year ended March 31,	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 180,768	\$ 188,952	\$ 200,079	\$ 172,766	\$ 196,597	\$ 209,963	n/a
Contributions in relation to the contractually required contribution	(180,768)	(188,952)	(200,079)	(172,766)	(196,597)	(209,963)	n/a
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
District's covered-employee payroll	\$ 1,260,474	\$ 1,299,635	\$ 1,332,538	\$ 1,198,723	\$ 1,065,771	\$ 1,068,107	n/a
Contributions as a percentage of District's covered-employee payroll	14.34%	14.54%	15.01%	14.41%	18.45%	19.66%	n/a

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE**  
**NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY – NYSLERS**  
**FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2020**

Schedule SS9

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*New York State Teachers' Retirement System - Net Pension Asset (Liability)*

As of the measurement date of June 30,	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	n/a	0.0280300%	0.0281720%	0.0286840%	0.0284400%	0.0267030%	0.0271070%
District's proportionate share of the net pension asset (liability)	n/a	\$ 728,229	\$ 509,423	\$ 218,029	\$ (304,600)	\$ 2,773,624	\$ 3,019,521
District's covered-employee payroll	n/a	\$ 4,772,291	\$ 4,588,888	\$ 4,545,503	\$ 4,545,507	\$ 4,609,901	\$ 4,118,107
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	n/a	15.26%	11.10%	4.80%	6.70%	60.17%	73.32%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

*New York State Local Employees' Retirement System - Net Pension (Liability)*

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)	0.0037013%	0.0041596%	0.0043998%	0.0040754%	0.0039603%	0.0038109%	n/a
District's proportionate share of the net pension (liability)	\$ (980,114)	\$ (294,718)	\$ (142,003)	\$ (382,931)	\$ (635,633)	\$ (128,740)	n/a
District's covered-employee payroll	\$ 1,260,474	\$ 1,299,635	\$ 1,332,538	\$ 1,198,723	\$ 1,065,771	\$ 1,068,107	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	-77.76%	-22.68%	-10.66%	-31.94%	-59.64%	-12.05%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	86.39%	96.27%	98.24%	94.70%	90.70%	97.9%	n/a

n/a - information is not available

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

**To the President and  
Members of the Board of Education  
*Ellicottville Central School District*  
Ellicottville , 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 and each major fund of *Ellicottville Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise *Ellicottville Central School District's* basic financial statements and have issued our report thereon dated September 29, 2020.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2020-001 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Ellicottville Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2020-002.

***Ellicottville Central School District's Responses to Findings***

***Ellicottville Central School District's*** responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. ***Ellicottville Central School District's*** responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 29, 2020**

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Page 50**

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Ellicottville Central School District*.
2. One material weakness relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". The material weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2020-001.
3. There was one instance of noncompliance material to the financial statements of *Ellicottville Central School District* reported in the 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". This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item II.B.2020-002.
4. A single audit in accordance with the Uniform Guidance was not required during the fiscal year ended June 30, 2020, as the District's expenditures of Federal Awards were below \$750,000.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2020-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended June 30, 2020**

*Condition and Criteria:* During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to due to and due from accounts, and capital project funds and converting to the full accrual method for government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

*Cause and Effect:* AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to generally accepted accounting principles.

*Auditor's Recommendation:* Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

*School District's Response:* The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

**B. COMPLIANCE AND OTHER MATTERS**

**2020-002 Fund Balance**

**Year ended June 30, 2020**

*Conditions and criteria:* **Ellicottville Central School District** unassigned fund balance as of June 30, 2020 amounted to \$1,068,024. This amount constitutes approximately 8.1% of the 2020-21 school budget.

*Cause and Effect:* The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

*Auditor's Recommendation:* **Ellicottville Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance. In addition, we recommend that the District document its rationale to support the purpose and dollar level of reserves and to ensure it is in compliance with New York State guidelines.

*School District's Response:* **Ellicottville Central School District** realizes that its unassigned fund balance as of June 30, 2020 was in excess of the NYS mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.



**I. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements (Material Weakness)**  
**Year ended June 30, 2019**

**Summary of Prior Year Finding:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables and payables, and converting to the full accrual method for GASB 34 purposes. In addition, the draft of the financial statements was prepared by the auditors and accepted by the District. The American Institute of Certified Public Accountants (AICPA) issued AU-C Section 265, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

**Current Status:** Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2020 and identified as finding 2020-001.

**B. COMPLIANCE AND OTHER MATTERS**

**2019-002 Unassigned Fund Balance**  
**Year Ended June 30, 2019**

**Summary of Prior Year Finding:** *Ellicottville Central School District's* unassigned fund balance amounted to 7.3% of the 2019-2020 General Fund budget. New York State Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's General Fund budget for the ensuing fiscal year.

**Current Status:** Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2020 and identified as finding 2020-002.

**To the President and Members of the  
Board of Education and School Administration  
*Ellicottville Central School District*  
Ellicottville , New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2020 of the District's financial statements and have issued our reports thereon dated September 29, 2020. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Ellicottville Central School District* for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2017 through June 30, 2020. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Ellicottville Central School District* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

The analysis of the use of the District's fund equity shows that the District maintains a number of reserves. The reserves presented here are only those that are reported in the General Fund. The uses and legal restrictions of each of these reserve categories are listed in the footnotes to the financial statements. These reserves reduce the amount of the District's unassigned fund equity.

We have reviewed the financial statements extensively with the Audit Committee, School Superintendent and the Business Manager. We believe these individuals have a good understanding of the financial condition of the District as well as the comments expressed in our annual report. We have enjoyed working with the District this year, and wish to thank all of the staff who have assisted us during our audit.

Very truly yours,

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 29, 2020**

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND**  
**EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Revenue and other sources</b>				
Property taxes	\$ 7,738	\$ 7,544	\$ 7,260	\$ 7,060
State aid	4,403	4,241	4,197	4,294
All other	447	620	415	523
	<u>12,588</u>	<u>12,405</u>	<u>11,872</u>	<u>11,877</u>
<b>Expenditures and other uses</b>				
General support	1,602	1,612	1,521	1,587
Instruction	6,319	6,333	6,150	6,010
Transportation	588	645	635	570
Benefits	2,083	2,181	2,128	2,126
Debt	1,395	1,399	1,391	1,399
Transfers	25	132	214	25
	<u>12,012</u>	<u>12,302</u>	<u>12,039</u>	<u>11,717</u>
<b>Excess (deficiency) of revenue over expenditures</b>	576	103	(167)	160
<b>Fund equity</b>				
Beginning of year	1,697	1,594	1,761	1,601
End of year	<u>\$ 2,273</u>	<u>\$ 1,697</u>	<u>\$ 1,594</u>	<u>\$ 1,761</u>
<b>Analysis of fund equity</b>				
Restricted				
Reserve for repairs	\$ 121	\$ 120	\$ 119	\$ 160
Reserve for retirement system	137	-	-	-
Reserve for employee benefits	310	12	77	148
Reserve for tax certiorari	-	100	100	100
Reserve for unemployment insurance	60	60	60	60
Assigned				
Reserve for encumbrances	37	2	1	98
Next year's budget	540	450	450	450
Unassigned	1,068	953	787	745
	<u>\$ 2,273</u>	<u>\$ 1,697</u>	<u>\$ 1,594</u>	<u>\$ 1,761</u>

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Page 3**

**Future Governmental Accounting Standards**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extends the implementation dates of new GASB standards for an additional year, including two standards outlined below that may have significance to the District.

**GASB 84 – Fiduciary Activities**

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2021. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including extraclassroom activities. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

**GASB 87- Accounting for Leases**

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2022. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases). We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

***District response:*** Ellicottville Central School District will continue to monitor and educate business office staff on this new standard and make changes when deemed necessary

**COVID-19 Pandemic**

**Federal Aid**

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to school Districts. The New York State Department of Education has allocated approximately \$96,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. We recommend the District continue to review Federal guidance, including compliance requirements, related to this funding.

***District response:*** The District is aware of the CARES funding and has completed the appropriate applications. We continue to review Federal guidance and compliance requirements with the assistance of various agencies including Questar III BOCES.

**Internal Controls IT Risks**

During the initial phases of the Pandemic, certain processes of the District that were previously performed in-person were completed remotely. Because significant data is being transmitted electronically, the District may consider performing a penetration/security test of its IT network. In addition, the District shall continue to periodically review listing of employees with access to the internal local area network to determine if accounts should be disabled or deleted and continue to periodically review user access rights to determine that employees only have rights that are commensurate with their job responsibilities.

***District response:*** The District has addressed these concerns and will have District IT periodically review the list of employees to ensure only active staff have access to District data and networks. The District IT, with the assistance of safeguards implemented at the Erie I BOCES level will continue to monitor user rights compared to user job duties. District IT will continue to monitor security and work with Erie I BOCES to perform a penetration/security test of the District's network.

**ELLICOTTVILLE CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Page 4**

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**Food Service Program**

During the Pandemic school districts had the option to participate in the Seamless Summer Option or the Summer Food Service Program to continue to provide meals to children while minimizing potential exposure to COVID-19. We recommend that District continue to review guidance and reporting requirements with respect to these programs in the event that school closures occur in the future and consider which program would be more beneficial to meet the needs of the District.

**District response:** The administrative staff at Ellicottville Central School District continue to stay well informed on the guidance and requirements of the school food service program. The District will continue to monitor available options and what process/procedures are in the best interest of the District and the community.

***ELLCOTTVILLE CENTRAL SCHOOL DISTRICT***

***EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2020***

***WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUND**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the President and  
Members of the Board of Education  
Ellicottville Central School District  
Ellicottville, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Ellicottville Central School District** for the year ended June 30, 2020, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express an opinion on this financial statement 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 the *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 statement is free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Ellicottville Central School District** for the year ended June 30, 2020 on the basis of accounting described in Note 1.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
September 29, 2020**



**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND**  
**STATEMENTS OF RECEIPTS AND DISBURSEMENTS – CASH BASIS**  
**JULY 1, 2019 THROUGH JUNE 30, 2020**

	Balances July 1, 2019	Total Receipts 2019-20	Total Receipts & Balances	Total Payments 2019-20	Balances June 30, 2020
Class of 2019	\$ 463	\$ -	\$ 463	\$ 463	\$ -
Class of 2020*	9,200	47,343	56,543	43,516	13,027
Class of 2021	5,613	640	6,253	230	6,023
Class of 2022	3,892	3,006	6,898	1,837	5,061
Class of 2023	1,086	1,470	2,556	1,043	1,513
Class of 2024	3,570	1,396	4,966	642	4,324
Class of 2025	2,306	3,244	5,550	1,591	3,959
Class of 2026	-	3,494	3,494	2,077	1,417
Drama Club	10,309	7,695	18,004	7,438	10,566
Ecology Club	1,933	898	2,831	292	2,539
ESPRA	491	888	1,379	153	1,226
Music Association	5,105	3,970	9,075	3,140	5,935
NHS	401	1,196	1,597	858	739
Quiz Bowl/School Challenge	266	-	266	-	266
Student Council	2,495	798	3,293	1,735	1,558
Varsity Club	15,587	4,000	19,587	3,222	16,365
World Language Club	365	296	661	111	550
Yearbook	7,437	9,828	17,265	8,295	8,970
Sales Tax	-	1,830	1,830	1,830	-
<b>Total activity fund</b>	<b>\$ 70,519</b>	<b>\$ 91,992</b>	<b>\$ 162,511</b>	<b>\$ 78,473</b>	<b>\$ 84,038</b>

\* As of June 30, 2020, the Class of 2020 owed \$10,530 to General Fund. This amount is represented in Due to Other Funds on page 14 of the Financial Statements.

**ELLCOTTVILLE CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUND**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Ellicottville Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$84,038 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of *Ellicottville Central School District* are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.



To the President and Members of the  
Board of Education  
and School Administration  
*Ellicottville Central School District*  
Ellicottville, New York

Ladies and Gentlemen:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of *Ellicottville Central School District* as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered *Ellicottville Central School District's* internal control over financial reporting (internal control) as a basis for designing 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 *Ellicottville Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Ellicottville Central School District's* internal control.

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

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

***Additional Comments***

Also included in this letter is a summary of additional comments, which we desire to bring to the Board and management's attention involving various matters.

**Funds Raised for Certain Purposes**

School districts were faced with difficult decisions during school closures resulting from the Pandemic including what to do with funds raised by students for certain purposes (i.e. student trip) that didn't take place. We recommend that the District develop a policy to address this situation if it occurs in the future and consider reviewing the policy with its legal counsel.

***District's response:*** The District understands this recommendation and will work to develop a policy regarding the use of student funds during a school closure and the inability to carry out a planned event, due to unforeseen circumstances. This policy will be beneficial for the District moving forward.

This communication is intended solely for the information and use of management, Board of Education, and others within *Ellicottville Central School District*, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

Olean, New York  
September 29, 2020



September 29, 2020

To the Audit Committee  
and Board of Education  
**Ellicottville Central School District**  
**Ellicottville, New York**

We have audited the financial statements of Ellicottville Central School District as of and for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ellicottville Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of depreciation is based on estimates of useful lives of assets and cost basis of certain assets were derived from a third-party independent appraisal company. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the District also has estimated future costs associated with pension and other post-employment benefits and has recorded a net pension liability (TRS & ERS) and an other post-employment benefit liability based on an actuarial study performed by a third-party actuary. We evaluated the key assumptions used to develop this study and its reasonableness in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures on long-term debt in Note 3IV and the COVID 19 Pandemic in Note 5 to the financial statements, due to their significance.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 29, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and management of Ellicottville Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Buffamante Whipple Buttafaro PC*

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**APPENDIX C**

**FORM OF DISCLOSURE UNDERTAKING**

## DISCLOSURE UNDERTAKING

This undertaking to provide notice of certain designated events (the “Disclosure Undertaking”) is executed and delivered by the Ellicottville Central School District, a School District of the State of New York (the “Issuer”) in connection with the issuance of its [\$8,140,000] Bond Anticipation Note(s), 2021A (such Note(s), including any interests therein, being collectively referred to herein as the “Security”). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

- (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 or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(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; and

(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) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. 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 pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

## Section 2. Definitions.

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

“Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

“Purchaser” means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

“Security Holder” means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.



Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure 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 Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure 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 Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking 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 Security 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 Disclosure 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 Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security 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 EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

