

# OFFICIAL STATEMENT

## SERIAL BONDS

Ratings: See "Ratings" herein

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision, thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "Tax Matters" herein.*

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

## CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON ULSTER COUNTY, NEW YORK

### **\$44,800,000\* SCHOOL DISTRICT (SERIAL) BONDS, 2021** (the "Bonds")

**Dated Date: Date of Delivery**

**Maturity Date: June 15, 2022-37**

*Security and Sources of Payment:* The Bonds will constitute general obligations of the City School District of the City of Kingston, Ulster County, New York and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds. All the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds. See "Nature of the Obligations" and "Tax Levy Limitation Law" herein.

*Prior Redemption:* The Bonds will be subject to optional redemption prior to maturity, see "Optional Redemption for the Bonds" herein.

*Form and Denomination:* The Bonds will be issued through The Depository Trust Company ("DTC" or the "Securities Depository"), the Bonds will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. (See "Book-Entry-Only System" herein.)

*Payment:* The Bonds payment shall be made in Federal funds to the Beneficial Owners of the Bonds by DTC Participants and Indirect through DTC Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. (See "Book-Entry-Only System" herein.)

The Bonds will be dated their date of delivery and will bear interest from that date until maturity at the annual rate or rates as shown on the inside cover page hereof, payable on June 15, 2022, December 15, 2022 and semiannually thereafter on each June 15 and December 15 until maturity. The Bonds will mature on June 15, 2022, and annually on June 15 thereafter until maturity, as shown on the inside cover page hereof.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the respective approving legal opinion, as to the validity of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. It is expected that the Bonds will be delivered in New York, New York or otherwise as may be agreed with the purchaser, on or about November 10, 2021.

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 SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER AS MORE FULLY DESCRIBED IN THE RESPECTIVE NOTICE OF SALE WITH RESPECT TO THE BONDS DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE DISCLOSURE FOR THE BONDS AS DEFINED IN THE RULE. SEE "DISCLOSURE UNDERTAKING," HEREIN.

October 20, 2021

\*Preliminary, subject to change.

The Bonds will mature on June 15 in each year, and are subject to optional redemption, as set forth below:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #***</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #***</u>
2022	\$ 2,730,000				2030**	\$ 2,790,000			
2023	2,345,000				2031**	2,860,000			
2024	2,405,000				2032**	2,930,000			
2025	2,465,000				2033**	3,000,000			
2026	2,525,000				2034**	3,080,000			
2027	2,590,000				2035**	3,155,000			
2028	2,655,000				2036**	3,235,000			
2029	2,720,000				2037**	3,315,000			

\* Preliminary, subject to change.

\*\* The Bonds maturing in the year 2030 and thereafter will be subject to optional redemption prior to maturity, as described herein. See "Optional Redemption for the Bonds" herein.

\*\*\* CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

**CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON  
ULSTER COUNTY, NEW YORK**

**BOARD OF EDUCATION**

James F. Shaughnessy, Jr.....President  
Steven Spicer..... Vice President  
Cathy Collins ..... Trustee  
Herb Lamb ..... Trustee  
Robin Jacobowitz..... Trustee  
Suzanne Jordan ..... Trustee  
Priscilla Lowe ..... Trustee  
James D. Michael..... Trustee  
Nora C. Scherer..... Trustee

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**DISTRICT OFFICIALS**

Dr. Paul J. Padalino..... Superintendent of Schools  
Allen Olsen .....Deputy Superintendent for Human Resources and Business  
Bethany Woodard..... District Treasurer  
Camille DiPerna.....District Clerk

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**INDEPENDENT AUDITORS**

**Raymond G. Preusser, P.C.  
Claverack, New York**

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**BOND COUNSEL**

**Orrick, Herrington & Sutcliffe LLP  
New York, New York**

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**MUNICIPAL ADVISOR**



**Capital Markets Advisors, LLC  
Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(716) 662-3910**

No dealer, broker, salesman or other person has been authorized by the City School District of the City of Kingston to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City School District of The City of Kingston from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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 City School District of the City of Kingston since the date hereof.

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## **OFFICIAL STATEMENT**

### **CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON ULSTER COUNTY, NEW YORK**

#### **Relating To**

#### **\$44,800,000\* SCHOOL DISTRICT (SERIAL) BONDS, 2021**

This Official Statement presents certain information relating to City School District of the City of Kingston, in the County of Ulster, in the State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$44,800,000\* School District (Serial) Bonds, 2021 (the "Bonds").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State as well as the 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 Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

All financial and other information presented herein has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience will necessarily continue or be repeated in the future.

### **THE BONDS**

#### ***Description***

The Bonds are dated their date of delivery and will bear interest from such date until maturity at the annual rate or rates as specified on the inside cover page hereof, payable on June 15, 2022, December 15, 2022 and semiannually thereafter on each June 15 and December 15 until maturity. The Bonds will mature on June 15 in each year until maturity, as specified on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity. (See "Optional Redemption for the Bonds" herein.)

The Bonds will be issued through DTC, the Bonds will be registered in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. (See "Book-Entry-Only System" herein.)

The record date for payment of the principal of and interest on the Bonds will be the last business day of the calendar month preceding each interest payment date.

#### ***Optional Redemption for the Bonds***

The Bonds maturing on or after June 15, 2030 will be subject to redemption prior to maturity at the option of the District on any date on or after June 15, 2029, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

\*Preliminary, subject to change.

The District may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the District shall determine to be in the best interest of the District at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the District by lot in any customary manner of selection as determined by the District. Notice of such call for redemption shall be given by mailing such notice to the registered owner not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

### ***Authority for and Purpose of Issue***

The Bonds are issued pursuant to the State Constitution and statutes of the State, including among others, the Education Law and the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State and bond resolutions adopted by the Board of Education of the District on October 21, 2013 and March 8, 2018 for \$137,500,000 and \$11,000,000, respectively, to pay the cost of the upgrades and improvements to School District facilities. The proceeds of the Bonds, along with a budgetary appropriation of \$1,200,000 (applied to the original 2019 BANs), will be used to redeem Bond Anticipation Notes in the amount of \$42,000,000 maturing on November 12, 2021. New money will be added in the amount of \$4,000,000.

Pursuant to paragraph c of section 104.00 of the Local Finance Law, the District received a consent order dated July 6, 2018 of the State Comptroller to issue obligations for this project. This consent relates only to the authority of the District to exceed its debt limit and not to any other matter.

### ***Nature of Obligation***

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

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

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

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District’s power to increase its annual tax levy with the amount of such increase limited by

the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

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

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

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

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

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

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

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

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered and the Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each bond (“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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 the Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Money Market Instruments (MMI) Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond certificates will be printed and delivered as applicable.

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 INFORMATION CONTAINED IN THE ABOVE SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SAMPLE OFFERING DOCUMENT LANGUAGE SUPPLIED BY DTC, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS.

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 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, 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 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

### ***Certificated Obligations***

In the event the purchaser elects to receive certificated Bonds or if the District discontinues the use of the book-entry only system through DTC the Bonds will be issued as certificated Bonds.

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions would apply:

The Bonds will be issued in registered certificated form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Bonds would be payable, upon presentation, at the principal corporate trust office of a fiscal agent bank located and authorized to do business in the State of New York: (i) as selected by the initial purchaser of the Bonds if such purchaser elects to receive certificated Bonds; or (ii) as appointed by the District if the DTC system is discontinued.

## **MARKET AND RISK FACTORS**

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

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

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

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. Further, the availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the novel coronavirus ("COVID-19") outbreak and other circumstances, including State fiscal stress. In any event, State

aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See “State Aid” and “Recent Events Affecting New York School Districts” in APPENDIX A hereto).

An outbreak of disease or similar public health threat, such as COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District’s operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “State Aid” and “Recent Events Affecting New York School Districts” in APPENDIX A hereto).

There are a number of general factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing strain on the District’s financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a bond or 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 Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Bonds (See “Tax Matters” herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the District and hence upon the market price of the Bonds. See “TAX INFORMATION” –Tax Levy Limitation Law” herein.

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the District operations and/or damage from cyber incidents or cyber-attacks, the District has invested in cybersecurity and other operational controls. While the District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

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

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

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

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the respective approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel’s opinion will be in substantially the forms, attached hereto as Appendix D.

## **DISCLOSURE UNDERTAKING**

This Preliminary Official Statement is in a form “deemed final” by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Bonds, the District will provide an executed copy of its undertaking to provide continuing disclosure certificate (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds. In accordance with the requirements of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the “Rule”), promulgated by the Securities and Exchange Commission (the “Commission”), the District has agreed to provide, or cause to be provided,

(1) to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated November 10, 2021 of the District relating to the Bonds in Appendix A under the headings “The District”, “Financial Factors”, “Real Property Taxes”, “District Indebtedness”, “Economic and Demographic Data” and “Litigation” and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended June 30, 2020, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended June 30, 2020; such audit (prepared in accordance with the accounting principles the District may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a “financial obligation”(as defined in the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bond holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

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

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

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

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

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

(3) in a timely manner, notice of a failure to provide the annual financial information and operating data and such audited financial statement by the date specified.

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in consultation with nationally recognized bond counsel in a manner consistent with Rule 15c2-12, as amended.

### ***Prior Disclosure History***

The District has been in compliance in all material respects with its previous undertakings made pursuant to Rule 15c2-12 over the past five years.

### **RATING**

Moody's Investors Service, Inc. (“Moody's”) assigned an uninsured rating of “Aa3” to the District’s long-term debt obligations, including the Bonds.

Such rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the ratings. There can be no assurance that such ratings will continue for any specified period of time or that such ratings will not be revised or withdrawn, if in the judgment of the rating agency circumstances so warrant. Any such change or withdrawal of such ratings may have an adverse effect on the market price of or the availability of a secondary market for the Notes.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC (the “Municipal Advisor”) has served as the independent financial advisor to the District in connection with the sale of the Bonds.

In preparing this Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

### **MISCELLANEOUS**

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District management’s beliefs as well as assumptions made by, and information currently available to the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the MSRB. When used in District documents or oral presentations, the words “anticipate,” “believe,” “intend,” “plan,” “foresee,” “likely,” “estimate,” “expect,” “objective,” “projection,” “forecast,” “goal,” “will,” or “should,” or similar words or phrases are intended to identify forward-looking statements.

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

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the District, expresses no opinion 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 Bonds, including but not limited to, the financial or statistical information in this Official Statement.

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

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

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

Information pertaining to the Final Official Statement may be obtained upon request after the date of the Final Official Statement from Capital Markets Advisors, LLC, Orchard Park, New York 14127, telephone (716) 662-3910; fax (716) 662-6684 or [www.capmark.org](http://www.capmark.org).

This Official Statement has been duly executed and delivered by the President of the Board of Education and Chief Financial Officer of the District on behalf thereof.

### **ADDITIONAL INFORMATION**

Additional information may be obtained from Allen Olsen, Deputy Superintendent for Human Resources and Business, 21 Wynkoop Place, Kingston, NY 12401, (845) 943-3040, e-mail: [aolsen@kingstoncityschools.org](mailto:aolsen@kingstoncityschools.org) or from the District's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Bonds.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://www.capmark.org). 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. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON  
ULSTER COUNTY, NEW YORK

By: /s/ James Shaughnessy, Jr.  
James Shaughnessy, Jr.  
President of the Board of Education and  
Chief Fiscal Officer

DATED: October 20, 2021

**APPENDIX A**

## **THE DISTRICT**

### ***General Information***

The District, with an area of 75 square miles and centers around the City of Kingston located on the west bank of the Hudson River approximately 90 miles north of New York City and 50 miles south of Albany. The District includes the entire City of Kingston, all or major parts of the Towns of Esopus, Kingston and Ulster, almost 60% of the Town of Rosendale, over 40% of the Town of Hurley and small to minor parts of the Towns of Marbletown, New Paltz, Saugerties and Woodstock.

The City of Kingston, comprising approximately 33% of the District on a full valuation basis, is the county seat of Ulster County and the commercial, industrial and shipping center for the surrounding farming and apple producing area. The Kingston-Rhinecliff Hudson River Bridge extends Kingston's trading area to include sections on the east bank of the Hudson River.

The District is situated in the foothills of the Catskill Mountains, one of New York's year-round recreational areas. Residents have access to the hotels and resorts located in this region. The "Esopus," a trout fishing stream, traverses the District and provides sportsmen with fresh water fishing. Hunters find deer, bear, partridge and pheasant in the area. Winter sports facilities are also available.

Transportation, including deep tide-water ports, railroads and highways such as the New York Thruway and Route 9W, places Kingston in a position to supply the markets of northeastern United States.

### ***District Organization***

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

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the School District Clerk, the District Treasurer, the School District Attorney and the Deputy Superintendent for Human Resources and Business.

### ***Financial Organization***

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Deputy Superintendent for Human Resources and Business and the District Clerk.

### ***Financial Statements and Accounting Procedures***

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request.

### ***Budgetary Procedure***

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central staff. During the winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors.

Pursuant to the Education Law, the District's Board of Education generally prepares or causes to be prepared a budget for the ensuing fiscal year. The budget, effective for fiscal years beginning on or after July 1, 1998, must consist of three parts: program, administration and capital. During November and December the tentative budget is developed and refined in consultation with school administrators. At the March and April meetings of the Board of Education,

the proposed budget is discussed and further refined. The tentative budget is adopted by the Board at its April meeting and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Residents of the District who are qualified to vote may participate in the referendum. Prior to the Annual Meeting a public hearing on the proposed budget is held.

The District’s budget is subject to the provisions of Chapter 97 of the Laws of 2011, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. See “Tax Levy Limitation Law,” herein for a further discussion regarding the budget vote, revoke, contingency budget and the tax cap.

The voters approved the District’s 2020-21 budget on May 18, 2021. See Appendix B for a summary of the 2020-21 and 2021-22 adopted budgets of the District.

### ***School Enrollment Trends***

The following table presents the past and projected school enrollment for the District.

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2019-2020	6,567	2022-2023	6,526
2020-2021	6,662	2023-2024	6,547
2021-2022	6,412	2024-2025	6,508

Source: District Officials.

### ***District Facilities***

The District currently operates the following school facilities; statistics relating to each are shown below.

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>
Kingston High School	9-12	2,632
J. Watson Bailey Middle School	5-8	939
M. Clifford Miller Middle School	5-8	1,104
Chambers	K-4	513
Edward R. Crosby	K-4	618
Harry L. Edson	K-4	533
Robert R. Graves	K-4	540
George Washington	K-4	679
J.F. Kennedy	K-4	429
Ernest C. Myer	K-4	447
Frank Meagher	K-4	108
Anna Devine	CLOSED	432

Source: District Officials.

### ***Employees***

The total number of persons employed by the District is approximately 1,061. These employees are represented by the following organizations.

<u>Number Of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
646	Kingston Teachers Federation	6/30/2021*
28	Administrative and Supervisory Personnel Association	6/30/2022
88	CSEA	6/30/2022
308	Educational Support Personnel	6/30/2022
28	Non-aligned Personnel	N/A

\* Currently under negotiations

Source: District Officials.

## ***Employee Benefits***

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service 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 State and Local Employee's Retirement System (“ERS”). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% (ERS) or 3.5% (TRS) of their gross annual salary toward the cost of retirement programs.

On December 10, 2009 a new Tier V was signed into law. The law is effective for new ERS and TRS employees hired after January 1, 2010 and on or before April 1, 2012. Tier V ERS employees will contribute 3% of their salaries and TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier VI for employees hired on or after April 1, 2012. The new pension tier has progressive contribution rates between 3% and 6% with no provision for these contributions to cease after a certain period of service; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier VI, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. The reform legislation also required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would otherwise make a lower contribution possible.

Due to prior poor performance of the investment portfolio of TRS and ERS, the employer contribution rates for required pension contributions to the TRS and ERS in 2011 and certain subsequent years have increased. To help mitigate the impact of such increases, legislation was enacted to permit school districts to amortize a portion of the contributions to the ERS only. Under such legislation, school districts that choose to amortize will be required to set aside and reserve funds with the ERS for certain future rate increases. The District has not and does not reasonably expect to amortize such contributions.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below.

The TRS SCO deferral plan is available to school districts for a total of seven years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan. The District has not and does not reasonably expect to participate in the ERS or TRS SCO program.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic has caused extreme volatility across all financial markets, including those markets in which the Retirement System funds are invested. While State Comptroller DiNapoli has made recent comments that the Common Retirement Fund is well-positioned to withstand current market disruption, the impacts of such volatility on future contribution rates, if any, cannot be known at this time. See “Market Factors” and “State Aid and COVID-19” herein for further detail.

**Retirement Billing Procedures**

**TRS.** TRS contributions are paid as a reduction in State aid payments due September 15, October 15 and November 15 of the succeeding fiscal year. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January.

**ERS.** The District’s contributions to ERS are due on or before February 1. Such contributions are based on salary estimates for the State fiscal year ending on March 31 of the next calendar year.

The amounts contributed to ERS and TRS for the last five fiscal years ended June 30 and the amount budgeted for the most recent fiscal year are as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2017	\$1,486,385	\$8,165,206
2018	1,632,538	7,432,826
2019	1,595,562	6,257,022
2020	1,657,552	7,217,879
2021	1,757,820	6,054,059
2022 (Budget)	1,876,706	6,348,876

***Other Post Employment Benefits***

The State’s 2019-2020 enacted budget legislation, which was signed into law on April 12, 2019, will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District has established such a fund.

The District provides post-retirement healthcare benefits to various categories of former employees. These costs have been rising substantially, and may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

Effective July 1, 2016, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement requires the District to recognize the total OPEB liability and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing this required change in accounting principle resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures and required supplementary information.

Legislation has been introduced from time to time to create an optional investment pool to help the State and local governments fund retiree health insurance and OPEB. The proposed legislation would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an

OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposed legislation, there would be no limits on how much a local government can deposit into the trust. The District cannot predict whether such legislation will be enacted into law in the foreseeable future.

The District is in compliance with the requirements of GASB 75, and a summary of the actuarial valuation is included in the District's June 30, 2021 Financial Audit attached herein. The following table summarizes the District's annual OPEB statements for the year ended June 30, 2021:

<b>Changes in the Total OPEB Liability</b>	<b>Total OPEB Liability</b>
Balance as of June 30, 2020	<u>\$683,955,810</u>
Changes for the year:	
Service cost	28,189,702
Interest	15,538,668
Differences between expected and actual experience	(40,272,250)
Changes of assumptions or other inputs	(1,064,716)
Benefit payments	<u>(18,176,081)</u>
Net changes	<u>(15,784,677)</u>
Balance as of June 30, 2021	<u>\$668,171,133</u>

### ***Investment Policy***

Pursuant to Section 39 of the State's General Municipal Law, the District has an investment policy applicable to the investment of all moneys and financial resources of the District. The responsibility for the investment program has been delegated by the Board of Education to the Deputy Supervisor for Human Resources and Business who was required to establish written operating procedures consistent with the District's investment policy guidelines. According to the investment policy of the District, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

**Authorized Investments.** The District has designated five banks or trust companies which are located and authorized to conduct business in the State to receive deposits of money. The District is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the District is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the District include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the District (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the District but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The District may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the District, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

**Collateral Requirements.** All District deposits in excess of the applicable insurance coverage provide by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the "eligible securities," "eligible surety bonds" or "eligible letter of credit" as described in the law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The District's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection such deposits in the event of a default. Securities not registered or inscribed in the name of the District must be delivered, in a form suitable for transfer or with an assignment in blank, to the District or its designated custodial bank. The custodial agreements used by the District provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the District, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the District in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

## **FINANCIAL FACTORS**

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 Revenues and Expenditures for the five-year period ending June 30, 2021 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds, bond anticipation notes and the use of funds reserved for capital improvements.

### ***Property Taxes***

The District derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund” in Appendix B, herein). Chapter 97 of the Laws of 2011, as amended, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. See “Tax Levy Limitation Law,” herein.

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years, and real property tax revenues budgeted for the most current fiscal year.

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Real Property Taxes and Tax Items</u>	<u>Real Property Taxes and Tax Items to Revenues</u>
2016	\$158,657,615	\$100,605,326	63.4%
2017	162,905,657	102,357,283	62.8%
2018	170,562,905	102,790,580	60.3%
2019	180,459,656	106,531,925	59.0%
2020	180,046,683	107,287,388	59.6%
2021	185,747,394	109,789,468	59.1%
2022 ( <i>Budget</i> )	195,984,949	107,419,898	54.8%

*Source: Audited Financial Statements and Adopted Budget. Table itself is not audited.*

## State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years, and the amount budgeted for the most current fiscal year.

Fiscal Year	State Aid		State Aid to Revenue
	General Fund Revenues	State Aid	
2016	\$158,657,615	\$55,403,405	34.9%
2017	162,905,657	57,866,104	35.5%
2018	170,562,905	62,867,393	36.9%
2019	180,459,656	65,823,479	36.5%
2020	180,046,683	68,941,454	38.3%
2021	185,747,394	69,495,051	37.4%
2022 (Budget)	195,984,949	76,137,698	38.8%

Source: Audited Financial Statements and Adopted Budget. Table itself is not audited.

## State Aid and COVID-19

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

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to Dec. 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically. (See "Event Affecting New York School Districts" herein).

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

in the payment of State aid could adversely affect the financial condition of school districts in the State. (See “Event Affecting New York School Districts” herein).

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (see “*STAR-School Tax Exemption*”). The District expects to receive timely STAR aid from the State for the current fiscal year in January 2020.

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

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

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 the current 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.

On August 20, 2020, the State Department of Education released the following notice: “On August 13, 2020, Division of the Budget (DOB) issued the [FY 2021 First Quarterly State Budget Financial Plan Update](#) which notes that, in the absence of Federal action since enactment of the FY 2021 budget, DOB began withholding 20 percent of most local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any.

In July, DOB began approving General Support for Public Schools (GSPS) payments to school districts (including 3609-a General Aid, 3609-b Excess Cost Aid, and 3609-d BOCES Aid payments) at 80% of the otherwise scheduled amounts.

DOB’s Updated Financial Plan includes \$8.2 billion in recurring local aid reductions, and states that the earliest DOB expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State’s FY 2021, and that, in the absence of unrestricted Federal aid, DOB will continue to withhold a range of payments through the second quarter of FY 2021.

*Source: NYS Dept. Of Education*

### ***Events Affecting New York School Districts***

The recent history of state aid to school districts in the State for the last five years is as follows:

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$5,315,977.

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

tenure process. School districts were required to obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

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

*School district fiscal year (2017-2018):* The State's 2017-2018 Enacted Budget provides for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

*School district fiscal year (2018-2019):* The State's final education budget includes record support for schools of more than \$26 billion, including an increase of \$1 billion over last year. This four-percent increase continues the commitment of funding education at a rate higher than the growth of the rest of the budget.

*School district fiscal year (2019-2020):* The State's enacted budget includes an increase of over \$1 billion in school aid, which will bring total school aid to \$27.9 billion. 70% of the increased financing is being directed to the State's more economically disadvantaged school districts.

*School district fiscal year (2020-21):* Due to the below-described decrease in State revenues as a result of the COVID-19 pandemic, the State budget included an increase of only \$95 million in State Aid (0.035% increase from the prior budget year), and Foundation Aid remained at essentially the same level as it was during the 2019-2020 fiscal year. While the budget actually included a decrease in State Aid (referred to as a "Pandemic Adjustment"), the decrease in State aid would be fully offset by the State's allocation of federal stimulus funds. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State Aid from the 2019-2020 year.

*School district fiscal year (2021-22):* The State budget includes large-scale increases in State aid to school districts, including a \$105 million expansion of full-day prekindergarten that will provide funding to 200 school districts that didn't previously receive State funding for such full-day prekindergarten programs. In contrast to the 2020-21 budget, this budget provides that additional federal aid would supplement, not supplant, State funding. Most notably, Foundation Aid is increased by \$1.4 billion (7.6%), and the State has committed to a three-year phase-in of the restoration of the full Foundation Aid formula to finally fulfill the State's commitments from the Campaign for Fiscal Equity case from the early 2000s.

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 that will provide funding to 200 school districts that didn't previously receive state funding for such full-day kindergarten programs. In contrast to the 2020-21 budget, this budget provides that additional federal aid would supplement, not supplant, State funding. Most notably, Foundation Aid increased by \$1.4 billion (7.6%), and the State has committed to a three-year phase-in of the restoration of the full Foundation Aid formula to finally fulfill the State's commitments from the Campaign for Fiscal Equity case from the early 2000s. 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. See "COVID-19," herein, for further details on the COVID-19 pandemic and its effects on the State.

The State budget for the 2021-22 fiscal year provides \$79.56 million of State Aid to the District, a 15.63% increase from the District's 2021 fiscal year.

The District presently anticipates an increase in foundation aid for its 2021-22 fiscal year in an amount of \$4,276,614.

It should also be noted that the District receives federal aid for certain programs. In its last audited fiscal year, the District received \$605,944 in such direct federal aid. It is not possible to predict whether such aid will continue in the future, or if continued, whether it will be funded at present levels.

The District is dependent to a substantial degree on financial assistance from the State in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in this year or future years, the District may be affected by such a delay, until sufficient State taxes have been received by the State to make State aid payments to the District.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District's 2020-21 fiscal years. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

### ***Other Revenues***

In addition to property taxes and State Aid, the District receives other revenues from miscellaneous sources as shown in Appendix B.

### ***Independent Audits***

The District retained the firm of Raymond G. Preusser, CPA, P.C., Certified Public Accountants, to audit its financial statements for the fiscal year ended June 30, 2021. Appendix B, attached hereto, presents excerpts from the District's most recent audited reports covering the last five fiscal years. Appendix C contains a link to the last fiscal year audit.

In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See "The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews" herein.

## REAL PROPERTY TAXES

### *Assessed and Full Valuations*

The City Assessor maintains the assessment records and prepares the annual assessment roll for the District. The following table sets forth the assessed and full valuation of taxable property, rates of tax per \$1,000 assessed valuation, and the District's real property tax levy for the five most recent fiscal years.

#### **Assessed and Full Valuation Based on Regular Equalization Rates Fiscal Years Ending June 30:**

Roll Year Fiscal Year	2017 <u>2017-18</u>	2018 <u>2018-19</u>	2019 <u>2019-20</u>	2020 <u>2020-21</u>	2021 <u>2021-22</u>
<u>Assessed Values:</u>					
City of Kingston	\$1,434,083,522	\$1,511,965,097	\$ 1,640,088,153	\$ 1,650,080,653	\$ 1,671,436,263
Town of Esopus	686,684,151	688,777,979	688,796,141	690,779,316	694,800,456
Town of Hurley	275,743,392	277,045,879	277,123,003	279,500,879	281,670,254
Town of Kingston	77,883,363	78,289,077	78,644,497	78,412,053	78,789,008
Town of Marbletown	1,348,395	1,229,444	1,289,272	1,428,549	1,428,539
Town of New Paltz	2,318,486	2,321,302	2,322,720	2,321,554	2,361,170
Town of Rosendale	268,596,606	276,550,910	289,235,021	307,023,890	309,677,010
Town of Saugerties	7,573,200	8,011,508	8,445,419	8,458,753	9,904,828
Town of Ulster	911,929,193	919,503,331	924,451,763	928,292,263	923,388,530
Town of Woodstock	198,372,120	200,089,833	202,149,408	204,210,702	209,343,128
Total Assessed Values	<u>\$3,864,532,428</u>	<u>\$3,963,784,360</u>	<u>\$4,112,545,397</u>	<u>\$4,150,508,612</u>	<u>\$4,182,799,186</u>
<u>Equalization Rates:</u>					
City of Kingston	100.00%	100.00%	100.00%	90.00%	81.00%
Town of Esopus	100.00%	100.00%	95.00%	91.00%	83.00%
Town of Hurley	100.00%	100.00%	100.00%	96.50%	96.50%
Town of Kingston	90.90%	89.25%	86.75%	81.00%	77.00%
Town of Marbletown	100.00%	100.00%	100.00%	100.00%	93.00%
Town of New Paltz	100.00%	100.00%	95.00%	90.00%	86.00%
Town of Rosendale	100.00%	100.00%	100.00%	100.00%	93.00%
Town of Saugerties	100.00%	100.00%	100.00%	95.00%	100.00%
Town of Ulster	81.10%	78.50%	73.00%	68.00%	63.50%
Town of Woodstock	99.00%	94.50%	92.25%	86.00%	80.50%
<u>Full Values:</u>					
City of Kingston	1,434,083,522	1,511,965,097	1,640,088,153	1,833,422,948	2,063,501,559
Town of Esopus	686,684,151	688,777,979	725,048,569	759,098,149	837,108,983
Town of Hurley	275,743,392	277,045,879	277,123,003	289,638,217	291,886,274
Town of Kingston	85,680,267	87,718,854	90,656,481	96,805,004	102,323,387
Town of Marbletown	1,348,395	1,229,444	1,289,272	1,428,549	1,536,063
Town of New Paltz	2,318,486	2,321,302	2,444,968	2,579,504	2,745,547
Town of Rosendale	268,596,606	276,550,910	289,235,021	307,023,890	332,986,032
Town of Saugerties	7,573,200	8,011,508	8,445,419	8,903,951	9,904,828
Town of Ulster	1,124,450,300	1,171,341,823	1,266,372,278	1,365,135,681	1,454,155,165
Town of Woodstock	200,375,879	211,735,273	219,132,150	237,454,305	260,053,575
Total Full Values	<u>\$4,086,854,198</u>	<u>\$4,236,698,069</u>	<u>\$4,519,835,314</u>	<u>\$4,901,490,197</u>	<u>\$5,356,201,414</u>

Source: District Officials and the State Office of Real Property Tax Services (the "ORPTS.")

**Full Valuation**  
**Based on SPECIAL Equalization Rates**  
**Fiscal Years Ending June 30:**

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Assessed Values:</b>					
City of Kingston	\$1,404,256,861	\$1,399,212,267	\$1,434,083,522	\$1,511,965,097	\$1,640,088,153
Town of Esopus	692,543,309	686,544,211	686,684,151	688,777,979	688,796,141
Town of Hurley	278,677,158	274,618,420	275,743,392	277,045,879	277,123,003
Town of Kingston	77,901,840	77,770,472	77,883,363	78,289,077	78,644,497
Town of Marbletown	1,347,500	1,348,389	1,348,395	1,229,444	1,289,272
Town of New Paltz	4,027,203	2,317,876	2,318,486	2,321,302	2,322,720
Town of Rosendale	263,447,991	261,445,677	268,596,606	276,550,910	289,235,021
Town of Saugerties	7,411,359	7,472,113	7,573,200	8,011,508	8,445,419
Town of Ulster	979,329,995	963,196,688	911,929,193	919,503,331	924,451,763
Town of Woodstock	193,339,722	196,113,897	198,372,120	200,089,833	202,149,408
<b>Total Assessed Values</b>	<b>\$3,902,282,938</b>	<b>\$3,870,040,010</b>	<b>\$3,864,532,428</b>	<b>\$3,963,784,360</b>	<b>\$4,112,545,397</b>
<b>Equalization Rates:</b>					
City of Kingston	98.51%	94.96%	89.25%	95.15%	105.35%
Town of Esopus	101.12%	101.10%	96.09%	97.28%	98.55%
Town of Hurley	100.68%	100.57%	100.51%	101.72%	102.92%
Town of Kingston	91.56%	89.70%	87.31%	88.09%	88.73%
Town of Marbletown	100.92%	101.59%	101.50%	100.94%	101.32%
Town of New Paltz	100.67%	100.87%	95.82%	96.41%	97.12%
Town of Rosendale	101.50%	99.66%	95.93%	99.43%	104.85%
Town of Saugerties	99.76%	96.97%	94.72%	99.00%	103.19%
Town of Ulster	82.57%	84.38%	78.37%	74.48%	75.28%
Town of Woodstock	99.53%	95.01%	92.69%	93.18%	93.66%
<b>For Fiscal Year Ended</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Full Values:</b>					
City of Kingston	\$1,425,496,763	\$1,473,475,429	\$1,606,816,271	\$1,589,033,208	\$1,556,799,386
Town of Esopus	682,039,895	676,264,983	661,864,242	708,036,574	698,930,635
Town of Hurley	276,191,435	272,465,939	269,385,885	272,361,265	269,260,594
Town of Kingston	84,712,745	86,325,310	84,969,848	88,873,966	88,633,491
Town of Marbletown	1,332,839	1,324,938	1,316,406	1,217,995	1,272,475
Town of New Paltz	3,990,095	2,292,203	2,264,368	2,407,740	2,391,598
Town of Rosendale	258,942,393	261,707,384	263,562,561	278,136,287	275,856,005
Town of Saugerties	7,396,566	7,672,362	7,570,929	8,092,432	8,184,339
Town of Ulster	1,181,196,472	1,136,783,534	1,057,431,810	1,234,564,086	1,228,017,751
Town of Woodstock	193,417,089	205,548,577	205,205,462	214,734,742	215,833,235
<b>Total Full Values</b>	<b>\$4,104,230,473</b>	<b>\$4,113,078,379</b>	<b>\$3,973,034,564</b>	<b>\$4,397,458,295</b>	<b>\$4,345,179,509</b>

Source: New York State Department of Taxation and Finance.

**Real Property Tax Rates  
Fiscal Years Ending June 30:**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Tax Levy (1)	\$91,078,742	\$92,272,273	\$95,413,125	\$97,470,096	\$99,178,405
Uncollected	6,753,494	7,142,785	7,607,793	7,926,781	8,024,144
% Uncollected when due	7.40%	7.74%	7.97%	8.13%	8.05%

(1) Exclusive of STAR.

Source: Tax Warrants and District officials.

Tax Rates (1)	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
City of Kingston	22.06/32.10	21.80/31.62	20.69/30.1	21.57/31.61	21.92/32.20
Towns of:					
Esopus	22.17/29.39	21.89/29.00	21.95/28.88	21.51/28.07	21.59/28.02
Hurley	22.21/29.36	21.91/28.99	20.93/27.46	20.39/25.67	18.74/24.14
Kingston	24.24/31.50	21.91/28.99	23.92/32.47	24.03/32.47	23.09/31.15
Marbletown	21.57/28.65	24.45/31.64	20.31/26.94	19.07/25.10	18.79/24.62
New Paltz	21.94/39.53	21.32/28.35	21.74/38.63	21.56/38.05	20.31/36.17
Rosendale	22.30/28.96	21.69/38.89	20.92/26.95	19.68/25.22	19.31/24.62
Saugerties	22.48/29.94	22.03/28.51	21.13/26/71	20.88/26.15	18.08/22.66
Ulster	27.32/37.74	22.23/28.22	28.43/39.15	28.61/39.14	28.06/38.34
Woodstock	22.17/29.07	27.83/38.49	22.40/29.10	22.50/29.07	22/28.33

(1) Homestead/Non-Homestead. Does not include library tax.

Source: Tax Warrants.

***Tax Collection Procedures***

The District has its own tax collector who collects the taxes for the entire District. Taxes are due in two equal installments with the first half payable without penalty by October 15 and the second half payable without penalty by December 15. The State Commissioner of Taxation and Finance will annually determine the rate of interest to be charged for late payments. Early in January, the uncollected portions are returned to the City and County as applicable. Section 1332 of the Real Property Tax Law states that the City and County enforcement officers shall proceed to enforce such unpaid taxes in the same manner as though they were unpaid City and County taxes, with 5% of the principal and interest added thereto. The respective tax enforcement officers will pay to the District all monies realized from the collection of unpaid taxes, including interest, less the amount of 5% added thereto. If the City or county bids in on any property, the District shall receive the amount of unpaid taxes due, plus interest, less the 5% added thereto.

***STAR - School Tax Exemption***

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

For the 2020-21 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
City of Kingston	\$65,190	\$27,660

Date Certified: 4/13/21

The enhanced or basic STAR exemption is the amount that an assessment will be reduced prior to the levy of school taxes. For example, if a home is assessed at \$150,000 and the enhanced STAR exemption for a municipality is \$50,000, the school taxes on the property would be paid on a taxable assessment of \$100,000 (\$150,000 - \$50,000 = \$100,000).

Since the 2011-12 school tax bills, there has been a 2% limit on STAR savings increases, the savings results from the Basic or Enhanced STAR exemptions are limited to a 2% increase over the prior year. When a school district initially calculates their tax

bills, for each municipal segment they will compare the amount of STAR savings to the maximum. If the STAR savings exceeded the maximum, the school district will use the maximum when calculating tax bills for the segment.

The maximum savings for District during the 2020-21 fiscal year is as follows:

	Basic Maximum <u>Savings</u>	Enhanced Maximum <u>Savings</u>
City of Kingston	\$647	\$1,421
Date Certified: 3/26/21		

The District expects to receive full reimbursement of such exempt taxes from the State during the current fiscal year.

### **Ten of the Largest Taxpayers**

#### **2020-21 Tax Year**

Name	Type	Assessed Valuations	Percentage of Total Assessed Valuation
Central Hudson Gas & Electric	Utility	\$ 172,688,883	4.20%
UH US Hudson Valley 2019	Shopping Center	38,717,757	0.94%
County of Ulster	Municipal	30,556,997	0.74%
CSX Transportation	Ceiling Railroad	25,501,916	0.62%
Kingston Village LLC	Apartment Complex	17,970,000	0.44%
Kingston Mall, LLC	Shopping Mall	15,363,150	0.37%
Criterion Atlantic	Commercial	12,180,000	0.30%
Herzog Supply Company	Shopping Center	11,845,500	0.29%
AG Properties (2)	Commercial	10,564,834	0.26%
CR Kingston Associates	Shopping Center	10,074,100	0.24%
		<u>\$327,453,130</u>	<u>8.40%</u>

(1) The District's total assessed value is \$4,112,545,397 for fiscal year 2020-21.

(2) Pending tax certiorari.

## **DISTRICT INDEBTEDNESS**

### ***Constitutional Requirements***

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds:

**Purpose and Pledge.** The District shall not give or loan any money or property to or in aid of any individual, or private corporation 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 periods of probable usefulness of the objects or purposes determined by statute or the weighted average period of probable usefulness thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

**General.** 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 to prevent abuses in the exercise of such power; 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. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The law also provides a procedural method to override that limitation. (See “Tax Levy Limitation Law” herein).

***Statutory Procedure***

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

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

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

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Bonds. However, such finance board may delegate the power to sell the Bonds, to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

***Statutory Debt Limit and Net Indebtedness***

**Computation of Debt Limit  
Based on Special Equalization Rates  
As of October 18, 2021**

<u>Fiscal Year Ending:</u>	<u>Full Valuation</u> <sup>(1)</sup>
2016	\$4,104,230,473
2017	4,113,078,379
2018	3,973,034,564
2019	4,397,458,295
2020	<u>4,345,179,509</u>
Total Five Year Valuation	\$20,932,981,220
Average Five Year Full Valuation	\$4,186,596,244
Debt Limit - 5% of Average Full Valuation	\$209,329,812

*(1) The amounts shown as full valuation have been computed with the use of Special Equalization Ratios. Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes.*

**Statutory Debt Limit and Net Indebtedness**  
**As of October 18, 2021**

	Amount
Debt Contracting Limitation:	\$209,329,812
Gross Indebtedness:	
Serial Bonds <sup>(1)</sup>	71,185,000
Bond Anticipation Notes	42,000,000
Gross Indebtedness	113,185,000
Exclusions and Deductions <sup>(2)</sup>	0
Net Indebtedness	113,185,000
Net Debt Contracting Margin	\$96,144,812
Percentage of Margin Exhausted	54.07%

(1) *The District has an energy performance contract outstanding in the amount of \$2,534,348 as of June 30, 2021 which is not included.*

(2) *The District estimates that it will receive State aid on a portion of all debt issued for school building improvements pursuant to Section 121.20 of Local Finance Law. The District has no reason to believe that it will not ultimately receive all of the school building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to outstanding bonds and bond anticipation notes. However, as a matter of information, State Aid for buildings purposes is currently estimated by District officials at 71.0%.*

*Source: District Officials.*

***Short-Term Indebtedness***

Pursuant to the Local Finance Law, the District is authorized to issue short-term indebtedness, in the form of notes as specified by such statute, to finance both capital and operating purposes.

**Capital Purposes.** Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted. Generally, bond anticipation notes are issued in anticipation of the sale of bonds at some future date and may be renewed from time to time for up to five years from the date of issuance. Such notes may not be renewed after the second year unless a legally sufficient principal payment on such notes is made from a source other than the proceeds of bonds or bond anticipation notes. In no event may bond anticipation notes be renewed after the sale of bonds in anticipation of which the notes were originally issued.

**Operating Purposes.** The District may also issue tax anticipation notes and revenue anticipation notes to provide cash to finance cash flow deficits. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law and the Internal Revenue Code of 1986 (the "Code") and the Regulations there under. Such notes may be renewed from time to time generally not beyond three years in the case of revenue anticipation notes and five years for tax anticipation notes. The District has not issued revenue anticipation notes since 1991. Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year. The District has not issued budget notes during the past five fiscal years.

After the issuance of the Bonds, the District will have no bond anticipation notes outstanding.

**Tax Anticipation Notes.** In common with other school districts in the State, the District periodically borrows in anticipation of the receipt of its real property tax levy. In the past, the District has paid all notes on their due date and such notes have been paid by the end of the fiscal year. The District has not issued tax anticipation notes in the last five fiscal years nor does it plan on issuing any in 2021-22.

### ***Energy Performance Contract***

The District has an Energy Performance Contract outstanding in the amount of \$2,534,348 as of June 30, 2021. Payments totaling \$459,503 are due each year through 2026 and \$919,007 in the final maturity in fiscal year 2027.

### ***Trend of Capital Indebtedness***

The following table sets forth the amount of bonded indebtedness outstanding at the end of the last five completed fiscal years.

	<b><u>Fiscal Year Ended June 30:</u></b>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$11,005,000	\$85,370,000	\$80,705,000	\$75,925,000	71,395,000
Bond Anticipation Notes	<u>80,500,000</u>	<u>0</u>	<u>0</u>	<u>22,000,000</u>	<u>42,000,000</u>
Total Outstanding Indebtedness	<u>\$91,505,000</u>	<u>\$85,370,000</u>	<u>\$80,705,000</u>	<u>\$97,325,000</u>	<u>\$113,395,000</u>

### ***Overlapping and Underlying Debt***

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayers' share of overlapping and underlying debt is based on the amount of the District's equalized property values taken as a percentage of each separate unit's total values.

The following table represents the amount of overlapping and underlying debt and the District's share of this debt. Authorized but unissued debt has not been included.

#### **Statement of Direct and Overlapping Indebtedness As of October 18, 2021**

Gross Direct Indebtedness	\$113,185,000
Exclusions and Deductions	<u>0</u>
Net Direct Indebtedness	<u>\$113,185,000</u>

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Net Indebtedness</u>	<u>Percent Applicable</u>	<u>Applicable Net Indebtedness</u>
Counties:				
Ulster County	06/29/21	105,985,400	23.54%	24,948,963
Cities:				
City of Kingston	06-15-21	26,066,462	100.00%	26,066,462
Towns:				
Esopus	12-31-20	1,845,000	83.54%	1,541,313
Hurley	12-31-20	0	33.50%	0
Kingston	12-31-20	379,145	100.00%	379,145
Marbletown	12-31-20	0	0.14%	0
New Paltz	08-23-21	1,900,000	0.20%	3,800
Rosendale	12-31-20	2,874,900	55.13%	1,584,932
Saugerties	06-29-21	4,954,318	0.46%	22,790
Ulster	06-11-21	576,450	93.83%	540,883
Woodstock	06-01-21	1,890,000	14.60%	275,940
Fire Districts	12-31-20	9,492,769	100.00%	<u>9,492,769</u>
Total				<u>\$64,856,997</u>

## Debt Ratios

The following table presents certain debt ratios relating to the District's direct and overlapping indebtedness.

	<u>Debt Per Amount</u>	<u>Debt Per Capita</u> <sup>(a)</sup>	<u>Debt to Full Value</u> <sup>(b)</sup>
Net Direct Debt	\$113,185,000	\$2,223	2.60%
Net Direct and Overlapping Debt	\$178,041,997	3,497	4.10%

(a) The District's population is 50,919 according to 2015 estimated census information.

(b) The District's full value of taxable real property bases on full equalization rates for 2020-21 is \$4,345,179,509.

## Authorized and Unissued Debt

Following the issuance of the Bonds, the District will have \$16,196,093 of authorized but unissued debt for the Kingston High School Campus Project authorized in an amount of \$137,500,000. The District expects completion of this project over the next several years. The following amounts have been borrowed against this resolution to date: \$8,286,093 in June 2014, \$6,000,000 in June 2015, \$24,517,814 in June 2016; \$20,000,000 in January 2017, \$27,000,000 in June 2017, \$22,000,000 in November 2019, and \$20,000,000 in November 2020. The District has no authorized but unissued debt for the \$11,000,000 project authorized on March 8, 2018.

## Debt Service Schedule

The following table presents the debt service requirements to maturity on the District's outstanding general obligation bonded indebtedness as of October 18, 2021.

### Schedule of Debt Service Requirements

Year Ending June 30:	<u>Outstanding Indebtedness</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>
2022	\$4,475,000	\$2,244,563	\$6,686,650
2023	4,840,000	2,075,469	6,915,469
2024	4,995,000	1,917,194	6,912,194
2025	3,835,000	1,753,313	5,588,313
2026	3,950,000	1,637,375	5,587,375
2027	3,825,000	1,522,025	5,347,025
2028	3,935,000	1,407,275	5,342,275
2029	4,055,000	1,289,225	5,344,225
2030	4,175,000	1,167,575	5,342,575
2031	4,300,000	1,042,325	5,342,325
2032	4,430,000	913,325	5,343,325
2033	4,565,000	780,425	5,345,425
2034	4,715,000	637,769	5,352,769
2035	4,865,000	490,425	5,355,425
2036	5,025,000	332,313	5,357,313
2037	5,200,000	169,000	5,369,000
Totals	<u>\$71,185,000</u>	<u>\$19,379,596</u>	<u>\$90,531,683</u>

## ECONOMIC AND DEMOGRAPHIC DATA

### *Population*

The estimated population of the District is 50,919 according to the US Census Bureau estimate in 2015. The following table includes population trends for the City, which is contiguous with the District, the County and the State, based upon census data.

	<u>Population</u>		
	<u>2010</u>	<u>2020</u>	<u>% Change</u>
City	23,893	22,793	(4.8)%
County	182,493	181,851	(0.4)%
State	19,378,102	20,201,249	4.3%

Source: U.S. Department of Commerce, Bureau of the Census.

### *Employment*

The following tables provide information concerning employment and unemployment in the County and the State and are not necessarily representative of the District.

	<u>Average Employed Civilian Labor Force</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
County	88.2	88.0	88.2	87.5	86.2
State	9,527.0	9,549.0	9,511.2	9,507.1	9,289.2

Source: New York State Department of Labor.

#### Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2016	4.5%	4.9%
2017	4.5%	4.6%
2018	3.9%	4.1%
2019	3.8%	3.8%
2020	8.0%	10.0%

Source: New York State Department of Labor and U.S. Bureau of Labor Statistics.

#### Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
September 2020	6.0%	9.9%
October	5.5%	8.3%
November	5.5%	8.3%
December	5.8%	8.5%
January 2021	6.7%	9.4%
February	6.9%	9.7%
March	6.2%	8.4%
April	5.1%	7.7%
May	4.7%	7.0%
June	5.0%	7.2%
July	5.1%	7.4%
August	5.1%	7.1%

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

Note: Unemployment has drastically increased since mid-March due to the COVID-19 global pandemic. See "COVID-19" herein.

**Major Employers in Ulster County  
(250 or more employees)**

<u>Name</u>	<u>Employees</u>	<u>Product</u>	<u>City</u>
County of Ulster	A	Government	Kingston
Health Alliance of the Hudson Valley	A	Health Services	Kingston/New Paltz
Kingston Consolidated School District	A	Educational Services	Kingston
State Correctional Facilities	A	Correctional Services	Wallkill/Napanoch
SUNY New Paltz	A	Educational Services	New Paltz
Mohonk Mountain House	B	Resort/Hotel	New Paltz
SUNY Ulster	B	Educational Services	Stone Ridge
Wal-Mart	B	Retail - All	Kingston
BOCES	C	Educational Services	New Paltz/Port Ewen
City of Kingston	C	Government	Kingston
Hannaford	C	Retail - Grocery	Kingston (2)/Highland/Plattekill
Hudson Valley Resort & Spa	C	Resort/Hotel	Kerhonkson
Northeast Center for Special Care	C	Health Services	Lake Katrine
Ten Broeck Commons	C	Health Services	Lake Katrine
Honors Haven	C	Resort/Hotel	Ellenville
Ulster Savings	C	Finance/Insurance	Kingston

*A - Greater than 1,000 employees.*

*B - 500-999 employees.*

*C - 250-499 employees.*

*Source: City School District of the City of Kingston.*

**LITIGATION**

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

**Tax Certiorari Claims.** The District is also a party to various tax certiorari proceedings instituted under Article 7 of the Real Property Tax Law. In these actions, taxpayers claim that their current real property assessment is excessive and ask that such assessment be reduced. Generally, tax claims request a refund of taxes applicable to the alleged over assessment. Claims of this nature are filed continuously and some cases may not be settled for several years or more. It is not unusual for certain taxpayers to have multiple pending claims affecting a period of years.

It is not possible to estimate the outcome of all pending tax certiorari cases. Tax certiorari claims are frequently settled for amounts substantially less than the original claims. In addition, settlements sometimes provide for reduced assessments in future years rather than a refund of taxes previously paid. The District maintains a tax certiorari reserve which had a balance of \$9,323,549 at June 30, 2021. Pursuant to State law, the District has designated its tax certiorari reserve for the settlement of specific claims including certain large items. At a minimum, the District must redesignate this reserve every three years otherwise moneys therein revert to the District's general fund. The District may also finance tax settlements by issuing debt pursuant to provisions set forth in the Local Finance Law.

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

**END OF APPENDIX A**

**APPENDIX B**

**SUMMARY OF FINANCIAL  
STATEMENTS AND BUDGETS**

KINGSTON CITY SCHOOL DISTRICT  
GENERAL FUND  
BALANCE SHEET

	<u>2020</u>	<u>2021</u>
<b>ASSETS</b>		
Unrestricted Cash	\$20,084,904	\$26,978,500
Restricted Cash	28,333,522	31,733,522
Taxes Receivable, Net	9,641,422	9,471,931
State and Federal Aid Receivable	2,897,945	4,029,715
Due From Other Governments	1,416,648	2,209,748
Other receivables, Net	129,946	83,102
Due From Other Funds	3,010,293	3,177,996
Prepaid expenditures	<u>50,000</u>	<u>0</u>
 Total Assets	 <u>\$65,564,680</u>	 <u>\$77,684,514</u>
<b>LIABILITIES</b>		
Accounts Payable	6,831,699	10,101,898
Accrued Liabilities	2,380,935	2,167,801
Due to Teachers Retirement System	6,572,645	6,918,465
Due to Employees' Retirement System	418,035	487,914
Due to other funds	0	2,000,000
Due to Other Governments	1,591,137	1,670,277
Compensated absences	<u>1,476,922</u>	<u>1,460,534</u>
 Total Liabilities	 <u>19,271,373</u>	 <u>24,806,889</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred taxes (City)	<u>7,506,657</u>	<u>7,900,188</u>
Total Deferred Inflows of Resources	<u>7,506,657</u>	<u>7,900,188</u>
<b>FUND BALANCES</b>		
Non-spendable	50,000	0
Restricted	28,333,522	31,733,522
Assigned	6,502,459	5,404,522
Unassigned	<u>6,900,669</u>	<u>7,839,398</u>
 Total Fund Balance	 <u>41,786,650</u>	 <u>44,977,442</u>
 <b>Total Liabilities and Fund Balances</b>	 <u><u>\$68,564,680</u></u>	 <u><u>\$77,684,519</u></u>

The financial data presented on this page has been excerpted from the audited financial statements of the District. Such presentation, however, has not been audited. Complete copies of the District's audited financial statements are available upon request.

KINGSTON CITY SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Revenues:</b>					
Real Property Taxes	\$91,225,464	\$92,053,215	\$95,750,109	\$96,785,684	\$99,582,434
Other Tax Items	11,131,819	10,737,365	10,781,816	10,501,704	10,207,034
Charges for Services	468,722	783,738	398,186	696,080	362,023
Use of Money & Property	357,138	832,032	1,514,276	1,115,645	128,908
Sale of Property & Compensation for Loss	13,522	36,039	3,472,780	0	994
Miscellaneous	1,694,272	3,139,502	2,377,507	1,889,492	3,777,331
State Aid	57,866,104	62,867,393	65,823,479	68,941,454	69,495,051
Federal Sources	148,616	113,621	341,503	116,624	2,193,619
<b>Total Revenues</b>	<u>162,905,657</u>	<u>170,562,905</u>	<u>180,459,656</u>	<u>180,046,683</u>	<u>185,747,394</u>
<b>Expenditures:</b>					
General Support	13,088,223	12,324,967	12,061,194	12,320,159	12,439,019
Instruction	87,116,355	89,835,437	93,539,869	97,726,751	97,202,116
Pupil Transportation	7,001,465	7,520,322	7,787,185	6,578,694	9,121,235
Employee Benefits	46,126,701	47,847,980	51,554,644	51,934,969	53,408,278
Debt Service	6,314,164	8,580,935	7,738,454	7,764,960	7,859,835
<b>Total Expenditures</b>	<u>159,646,908</u>	<u>166,109,641</u>	<u>172,681,346</u>	<u>176,325,533</u>	<u>180,030,483</u>
 Excess of Revenues over Expenditures	 3,258,749	 4,453,264	 7,778,310	 3,721,150	 5,716,911
 Other Uses:					
Interfund Transfers In	193,008	182,619	923,660	571,617	875,052
Operating Transfers Out	(511,196)	(4,841,488)	(5,649,499)	(910,517)	(3,401,176)
<b>Total Other Uses:</b>	<u>(318,188)</u>	<u>(4,658,869)</u>	<u>(4,725,839)</u>	<u>(338,900)</u>	<u>(2,526,124)</u>
 Excess of Revenues over Expenses and Other Financing Uses	 2,940,561	 (205,605)	 3,052,471	 3,382,250	 3,190,787
Fund Balance - Beg. of Year	<u>32,616,973</u>	<u>35,557,534</u>	<u>35,351,929</u>	<u>38,404,400</u>	<u>41,786,650</u>
 Fund Balance - End of Year	 <u>\$35,557,534</u>	 <u>\$35,351,929</u>	 <u>\$38,404,400</u>	 <u>\$41,786,650</u>	 <u>\$44,977,437</u>

The financial data presented on this page has been excerpted from the audited financial statements of the District.

Such presentation, however, has not been audited.

Complete copies of the District's audited financial statements are available upon request.

KINGSTON CITY SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF ESTIMATED REVENUES AND APPROPRIATIONS

	Adopted Budget <u>2020-21</u>	Adopted Budget <u>2021-22</u>
<b>Estimated Revenues:</b>		
Real Property Tax	\$107,419,898	\$107,419,898
Real Property Tax Items	2,250,000	2,300,000
State Aid	69,619,717	76,137,698
Other Sources	2,755,950	4,597,353
Interfund Transfers	339,448	30,000
Total Estimated Revenues	<u>\$182,385,013</u>	<u>\$190,484,949</u>
<b>Appropriated Fund Balance</b>	3,000,000	4,000,000
<b>Transfer From ERS and Debt Service Reserves</b>	<u>2,035,000</u>	<u>1,500,000</u>
Total Estimated Revenues and Fund Balance	<u><u>\$187,420,013</u></u>	<u><u>\$195,984,949</u></u>
<b>Appropriations:</b>		
General Support	\$12,645,694	\$12,692,542
Instruction	100,981,974	104,986,650
Public Transportation	9,801,040	9,568,326
Employee Benefits	54,946,469	57,404,820
Interfund Transfers	680,000	1,180,000
Debt Service	8,364,836	10,152,611
Total Appropriations	<u><u>\$187,420,013</u></u>	<u><u>\$195,984,949</u></u>

Source: School District Officials

KINGSTON CITY SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2021

KINGSTON CITY SCHOOL DISTRICT

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# RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Kingston City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Kingston City School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Kingston City School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the fiduciary fund information of the Kingston City School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M11 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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*

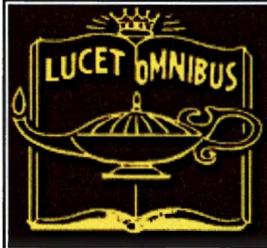
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kingston City School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the Kingston City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingston City School District's internal control over financial reporting and compliance.

*Raymond G. Preusser, CPA, PC*

Claverack, New York  
September 23, 2021



## KINGSTON CITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

June 30, 2021

### INTRODUCTION

The Kingston City School District's discussion and analysis of financial activities provides an overview of the District's performance for the fiscal year ended June 30, 2021. Please review this in conjunction with the District's financial statements and the accompanying notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- District voters approved the 2020-2021 General Fund Budget on May 15, 2020. Total appropriations of \$187,420,013 represented an increase of 3.65% over the prior year. Estimated General Fund revenues of \$80,000,115 were 6.35% higher. The resulting tax levy of \$107,419,898, an increase of 1.73%, was at the Maximum Allowable Levy Limit determined by the Tax Cap legislation.
- In the General Fund financial statements, revenues exceeded expenses producing an operating surplus of \$3,190,787.
- Final total General Fund revenues exceeded the budgeted estimate by \$3,510,513. Property Tax revenue had to be decreased at year-end to account for an increase in uncollected taxes. This revenue of \$393,530 was added to deferred revenue, now totaling \$7,900,187. Revenues for P.I.L.O.T.S., interest on delinquent taxes, BOCES and other refunds of prior years and other state aid contributed to the increase.
- General Fund expenses and payables totaled 95.7% of the adjusted budget. The Board of Education approved the transfer of \$2,000,000 from unexpended funds to the Debt Service Fund to offset future debt payments.
- At year-end, the Board appropriated \$4,000,000 to the 2021-2022 Budget Revenues from unappropriated fund balance. The Board further committed \$340,000 from the Tax Reduction Reserve and a combined \$1,160,000 from Debt Service Fund Reserves to balance the 2021-2022 budget.
- The reported total Governmental Fund Balance of \$17,564,630 was a decrease from 2020 by \$16,167,205. Although the General Fund balance increased by \$5,716,911, the other main funds experienced decreases. The Capital Fund balance decreased by \$21,633,502 resulting from Kingston High School Phase II and other capital project expenses not yet bonded.
- The Total Net Position in Governmental Activities decreased by \$48,481,191 in 2021 to \$(458,160,123). Increases to OPEB (Other Post-Employment Benefits) and pension expenses were the primary contributing factors to the change.

M1

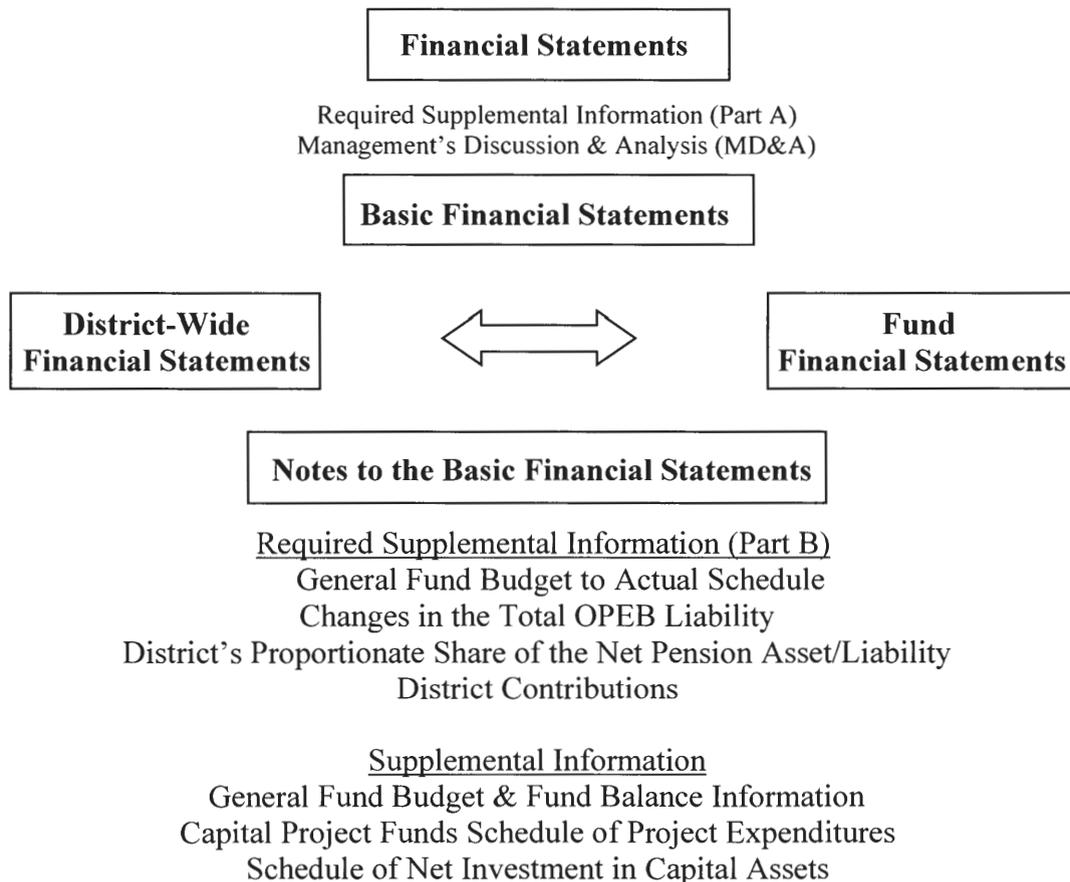
OUR MISSION: WE INSPIRE. WE EDUCATE. WE GRADUATE.  
*ALL STUDENTS, ALL OF THE TIME.*

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Management’s Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of three components:

1. District-Wide Financial Statements-Which provide both short-term and long-term information about the School District’s overall financial position and results of operations.
2. Fund Financial Statements-Which focus on individual parts of the school district, reporting the School District’s functioning in more detail than the District-wide statements.
3. Notes to the Financial Statements-Which provide additional information about the basic financial statements and the balances reported.

In addition to these statements, this report also includes required supplemental information and other supplemental information. Our auditor has provided assurance in the independent auditor’s report (opinion letter), located immediately preceding this Management’s Discussion and Analysis, that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor’s report carefully to ascertain the level of assurance being provided for each part in the financial statements.



## DISTRICTWIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. GASB 34 requires the use of the economic resources measurement focus and full accrual basis of accounting in the district-wide statements. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows (inflows and/or outflows) in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the district-wide financial statements as *governmental activities*, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

**DISTRICTWIDE FINANCIAL ANALYSIS**  
**Kingston City School District's Net Position**  
**June 30, 2021 and 2020**

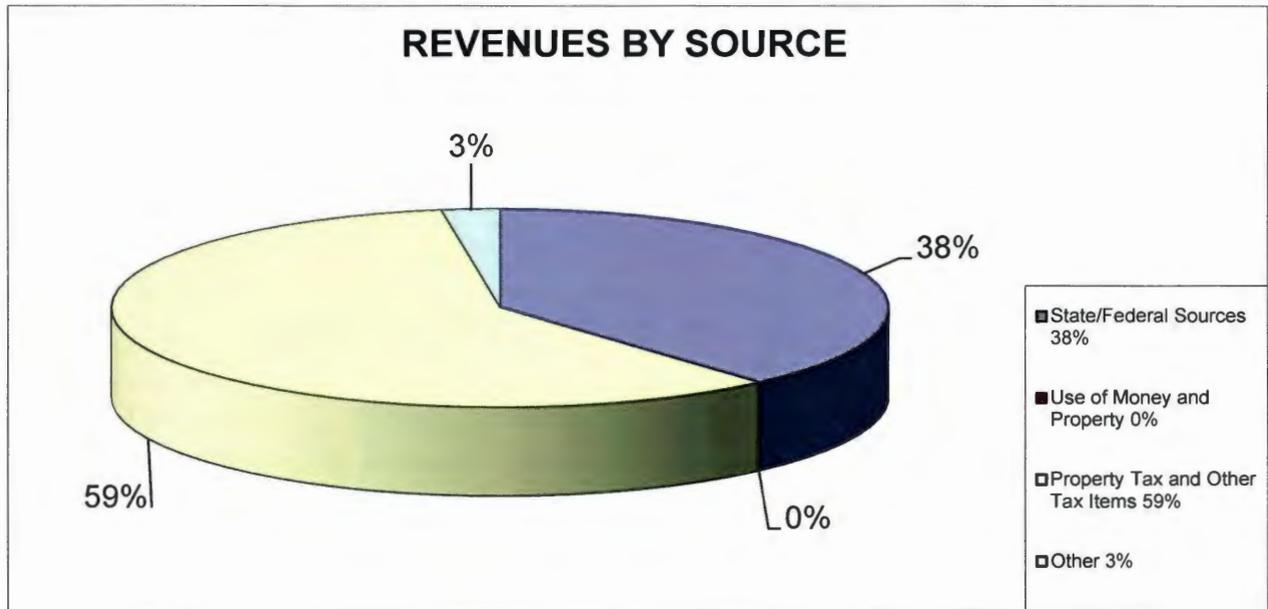
	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Current Assets	\$ 90,426,554	\$ 82,571,639	\$ 7,854,915
Capital Assets	167,170,088	150,497,690	16,672,398
Net Pension Asset	-	10,578,565	(10,578,565)
Total Assets	<u>257,596,642</u>	<u>243,647,894</u>	<u>13,948,748</u>
Deferred Outflows of Resources	<u>171,199,480</u>	<u>196,282,516</u>	<u>(25,083,036)</u>
Total Assets and Outflows of Resources	<u>428,796,122</u>	<u>439,930,410</u>	<u>(11,134,288)</u>
Current Liabilities	69,368,967	40,370,733	28,998,234
Noncurrent Liabilities	75,861,165	86,049,952	(10,188,787)
OPEB Obligation	668,171,133	683,955,810	(15,784,677)
Net Pension Liability	<u>11,161,857</u>	<u>9,775,597</u>	<u>1,386,260</u>
Total Liabilities	<u>824,563,122</u>	<u>820,152,092</u>	<u>4,411,030</u>
Deferred Inflows of Resources	<u>62,393,123</u>	<u>29,457,250</u>	<u>32,935,873</u>
Total Liabilities and Inflows of Resources	<u>886,956,245</u>	<u>849,609,342</u>	<u>37,346,903</u>
Net Position:			
Investment in capital assets, net of related debt	65,507,291	71,658,966	(6,151,675)
Restricted	41,414,279	54,952,669	(13,538,390)
Unrestricted (deficit)	<u>(565,081,693)</u>	<u>(536,290,567)</u>	<u>(28,791,126)</u>
Total Net Position	<u><u>\$(458,160,123)</u></u>	<u><u>\$(409,678,932)</u></u>	<u><u>\$ (48,481,191)</u></u>

**Kingston City School District's  
Changes in Net Position  
For the Years Ended June 30, 2021 and 2020**

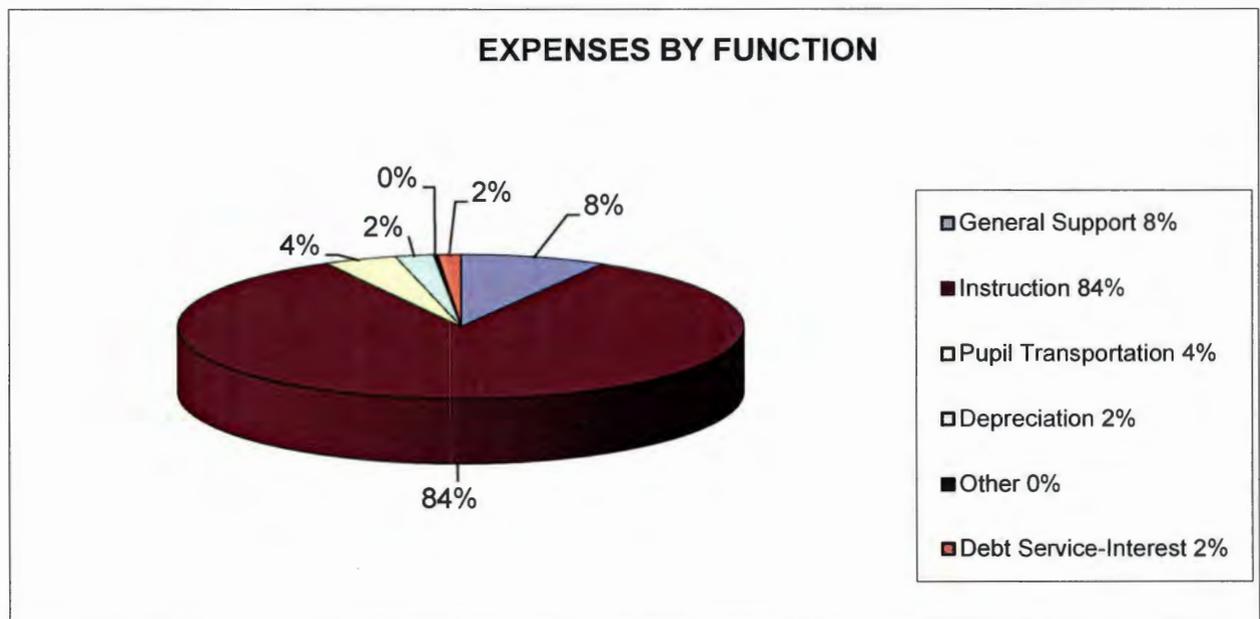
	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 365,800	\$ 946,004	\$ (580,204)
Operating Grants and Contributions	10,487,331	10,119,905	367,426
Total Program Revenues	<u>\$ 10,853,131</u>	<u>\$ 11,065,909</u>	<u>\$ (212,778)</u>
General Revenues:			
Real Property Taxes	\$ 99,975,965	\$ 97,605,099	\$ 2,370,866
Other Tax Items	10,207,034	10,501,704	(294,670)
Use of Money and Property	129,757	1,152,586	(1,022,829)
Sale of Property and Compensation for Loss	994	-	994
Miscellaneous	3,777,331	1,889,492	1,887,839
State Sources	69,495,051	68,941,454	553,597
Federal Sources	2,193,619	116,624	2,076,995
Premium on Obligations	782,360	219,780	562,580
Total General Revenues	<u>186,562,111</u>	<u>180,426,739</u>	<u>6,135,372</u>
<b><u>Expenses (Net of Program Revenues):</u></b>			
Instruction	196,939,995	197,174,986	(234,991)
Support Services:			
General Support	19,552,080	20,371,995	(819,915)
Pupil Transportation	9,804,264	7,714,295	2,089,969
Debt Service-Interest	3,120,361	2,809,823	310,538
Depreciation-Unallocated	5,126,151	4,819,256	306,895
School Lunch	500,451	222,415	278,036
Total Expenses	<u>235,043,302</u>	<u>233,112,770</u>	<u>1,930,532</u>
Change in Net Position	<u>\$ (48,481,191)</u>	<u>\$ (52,686,031)</u>	<u>\$ 4,204,840</u>

The following charts provide the percentage of breakdown of all revenues by source and all expenses by function for the entire District:

**Districtwide Revenues by Source  
For the Year Ended June 30, 2021**



**Districtwide Expenses by Function  
For the Year Ended June 30, 2021**



## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to 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.
- **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.

**FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)**

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$17.6 million, which is below last year's total of \$33.7 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2021 and 2020:

	<u>Fund Balance 2021</u>	<u>Fund Balance 2020</u>	<u>Variance Increase (Decrease)</u>
General	\$ 44,977,437	\$ 41,786,650	\$ 3,190,787
School Lunch	414,525	314,842	99,683
Debt Service	4,590,793	2,495,518	2,095,275
Capital	<u>(32,418,125)</u>	<u>(10,865,175)</u>	<u>(21,552,950)</u>
Totals	<u>\$ 17,564,630</u>	<u>\$ 33,731,835</u>	<u>\$(16,167,205)</u>

**General Fund**

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 109,789,468	\$ 107,287,388	\$ 2,502,080
Use of Money and Property	128,908	1,115,645	(986,737)
State/Federal Sources	71,688,670	69,058,078	2,630,592
Other	<u>5,015,400</u>	<u>3,157,189</u>	<u>1,858,211</u>
Totals	<u>\$ 186,622,446</u>	<u>\$ 180,618,300</u>	<u>\$ 6,004,146</u>

<u>Expenses:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 12,439,019	\$ 12,320,159	\$ 118,860
Instruction	97,202,116	97,726,751	(524,635)
Pupil Transportation	9,121,235	6,578,694	2,542,541
Employee Benefits	53,408,278	51,934,969	1,473,309
Debt Service	7,859,835	7,764,960	94,875
Other	<u>3,401,176</u>	<u>910,517</u>	<u>2,490,659</u>
Totals	<u>\$ 183,431,659</u>	<u>\$ 177,236,050</u>	<u>\$ 6,195,609</u>

## **GENERAL FUND BUDGET INFORMATION**

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the General Fund's original budget and the final amended budget was \$4,316,578. This amount represents the carryover of outstanding purchase orders (encumbrances) from the 2019/20 fiscal year in the amount of \$3,502,459, an increase in appropriations in the amount of \$39,119 for additional gifts and donations received and an increase of \$775,000 using appropriated reserves.

## **CAPITAL ASSETS**

The District's capital assets (net of accumulated depreciation) as of June 30, 2021 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 736,128
Construction in Progress	50,767,039
Buildings and Improvements	112,493,093
Machinery and Equipment	2,745,865
Vehicles	<u>427,963</u>
Total	<u>\$ 167,170,088</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$16,672,398. The driver for the increase of capital assets was attributable to the capital projects.

## **DEBT**

The District had total debt including serial bonds, bond anticipation note and Capital Lease outstanding in the amount of \$115,929,348 as of June 30, 2021 an increase over the previous year of \$15,085,042.

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 71,395,000
Bond Anticipation Note	42,000,000
Capital Lease	<u>2,534,348</u>
Totals	<u>\$ 115,929,348</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 5% of the total full value of real property within the district boundaries – that limitation is approximately \$209 million. At June 30, 2021, the District's general obligation debt was approximately 48% of its total debt limit. The District has a bond rating of Aa3.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Board of Education and District Administration continue their commitment to long-range financial planning and maintaining fiscal stability for the Kingston City School District while supporting student achievement and success. We strive to balance the needs of our students with the values of our community and its ability to pay.

### **A. Property Tax Cap & Budgetary Impact**

The Maximum Allowable Tax Levy for the 2021-2022 budget was 1.31%. The budget presented to voters in May 2021 had a \$0 tax levy increase. In order to hold the tax levy at the 2020-2021 limit, the district allocated \$5,500,000 from unexpended 2020-2021 funds and from various reserve funds. District administrators will continue to analyze and evaluate the tax cap limitations and the impact on budget growth.

### **B. Management of Capital Assets and Facilities Use**

Phase II of the 2<sup>nd</sup> Century Capital Project at Kingston High School is substantially complete. Funding for the construction costs for Phase II is currently being provided by short term borrowing (Bond Anticipation Notes). Final financing will be coordinated with State Aid to minimize the associated tax levy attributed to the project.

Voter and state approved projects at Edson, J.F. Kennedy and M.C. Miller Schools are also nearing completion. Capital Reserves funded the initial \$5 million toward these projects. The remaining \$11 million will be borrowed with the funds necessary to complete the high school project.

The state-required Five Year Capital Facilities Plan was conducted during the 2020-2021 school year. Projects included on the survey will be evaluated and prioritized for future voter approval.

### **C. Federal Stimulus Funds**

KCSD received \$6,427,954 from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and \$15,136,271 from the American Rescue Plan (ARP). The district is committing these funds over the next few school years to target the following initiatives:

- Addressing Learning Loss and Improving Academic Outcomes
- Social-Emotional & Physical Well-Being
- Addressing the Needs of ELLs, SWDs & ED Students
- Diversity, Equity, Inclusion & Access
- Technology
- Facilities
- Evaluation, Community Input & Communication
- Remote Learning - 2021

### **D. Financial Planning**

District Administrators continue to use the Fund Balance and Reserve Plan as a tool in financial planning, budgeting and maintaining a sound financial position. The plan details the various classifications of reserves and fund balance, levels of funding and how each will be used to benefit the school district and taxpayers. The plan is continually analyzed, updated and presented annually.

## **E. Other Notable Issues**

- Possible future changes to funding formulas for aid to New York State public school districts, which depend on the fiscal health and stability of the State and determine the local share necessary to fund the annual budget
- The School Lunch Fund has experienced operating losses for the past three years decreasing the total fund balance. A transfer from the General Fund was necessary to support operations in 2020-2021. Programs to provide subsidized meals to our students may necessitate future budget transfer allocations from the General Fund.
- Cost of continuing and new mandates from the State or Federal governments, Special Education provisions
- Future of Federally funded programs such as IDEA and Title I, ESEA, which provide approximately \$4 million in funding to Kingston School District programs annually
- Contribution rate trends for district payments to New York State Retirement and Teacher's Retirement Systems
- The rising cost of health insurance for the district's active employees and retirees
- Property tax assessment challenges, declining property values in certain commercial sectors and potential changes to the Homestead/Non-Homestead dual tax rate classification which could shift or increase taxes to district taxpayers
- Other environmental factors such as population trends and economic conditions that may impact the district

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Kingston City School District  
21 Wynkoop Place  
Kingston, New York 12401

M11

KINGSTON CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2021

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**ASSETS**

Unrestricted cash	\$	36,655,819	
Restricted cash		34,324,315	
Taxes receivable, net		9,471,931	
Other receivables, net		83,602	
State and federal aid receivable		7,632,301	
Due from other governments		2,209,748	
Inventories		48,838	
Capital assets, net		167,170,088	
Total Assets		167,170,088	\$ 257,596,642

**DEFERRED OUTFLOW OF RESOURCES**

Pensions	\$	46,388,172	
OPEB-GASB 75		124,811,308	
Total Deferred Outflows of Resources		124,811,308	\$ 171,199,480

**LIABILITIES**

**Current Liabilities:**

Accounts payable	\$	10,193,462	
Accrued liabilities		2,987,147	
Bond anticipation notes		42,000,000	
Due to other governments		1,687,022	
Due to teachers' retirement system		6,918,465	
Due to employees' retirement system		487,914	
Unearned revenue		14,769	
		14,769	

**Long-Term Liabilities:**

**Due and payable within one year**

Bonds payable		4,685,000	
Capital lease		395,188	
		395,188	

**Due and payable after one year**

Bonds payable		66,710,000	
Capital lease		2,139,160	
Compensated absences payable		7,012,005	
Other postemployment benefits payable		668,171,133	
Net pension liability - proportionate share		11,161,857	
		11,161,857	

Total Liabilities			\$ 824,563,122
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**DEFERRED INFLOWS OF RESOURCES**

Pensions		17,660,495	
Premium from advanced refunding		292,763	
OPEB-GASB 75		44,439,865	
		44,439,865	

Total Deferred Inflows of Resources			\$ 62,393,123
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**NET POSITION**

Net Investment in Capital Assets		65,507,291	
Restricted		41,414,279	
Unrestricted (deficit)		(565,081,693)	
		(565,081,693)	

Total Net Position			\$ (458,160,123)
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See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
For Year Ended June 30, 2021

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 12,229,518	\$ 7,322,562	\$ -	\$ -	\$ (19,552,080)
Instruction	106,699,584	99,699,329	362,023	9,096,895	(196,939,995)
Pupil transportation	9,121,235	683,029	-	-	(9,804,264)
Employee benefits	108,083,287	(108,083,287)	-	-	-
Debt service-interest	3,120,361	-	-	-	(3,120,361)
Depreciation and loss on disposal	5,126,151	-	-	-	(5,126,151)
School lunch program	1,516,297	378,367	3,777	1,390,436	(500,451)
<b>Total Functions and Programs</b>	<b>\$ 245,896,433</b>	<b>\$ -</b>	<b>\$ 365,800</b>	<b>\$ 10,487,331</b>	<b>(235,043,302)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					99,975,965
Other tax items					10,207,034
Use of money and property					129,757
Sale of property and compensation for loss					994
Miscellaneous					3,777,331
State sources					69,495,051
Federal sources					2,193,619
Premium on obligations					782,360
<b>Total General Revenues</b>					<b>186,562,111</b>
<b>Change in Net Position</b>					<b>(48,481,191)</b>
<b>Total Net Position - Beginning of year</b>					<b>(409,678,932)</b>
<b>Total Net Position - End of year</b>					<b>\$ (458,160,123)</b>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
June 30, 2021

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted cash	\$ 36,655,819	\$ -	\$ -	\$ 36,655,819
Restricted cash	34,324,315	-	-	34,324,315
Taxes receivable, net	9,471,931	-	-	9,471,931
Other receivables, net	83,602	-	-	83,602
Due from other funds	5,177,996	-	(5,177,996)	-
Due from other governments	2,209,748	-	-	2,209,748
State and federal aid receivable	7,632,301	-	-	7,632,301
Inventories	48,838	-	-	48,838
Capital assets, (net)	-	167,170,088	-	167,170,088
<b>Total Assets</b>	<b>\$ 95,604,550</b>	<b>\$ 167,170,088</b>	<b>\$ (5,177,996)</b>	<b>\$ 257,596,642</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	\$ -	\$ 46,388,172	\$ -	\$ 46,388,172
OPEB-GASB 75	-	124,811,308	-	124,811,308
Total Deferred Outflows of Resources	\$ -	\$ 171,199,480	\$ -	\$ 171,199,480
<b>LIABILITIES</b>				
Accounts payable	\$ 10,193,462	\$ -	\$ -	\$ 10,193,462
Accrued liabilities	2,199,570	787,577	-	2,987,147
Bond anticipation notes	42,000,000	-	-	42,000,000
Bonds payable	-	71,395,000	-	71,395,000
Capital lease	-	2,534,348	-	2,534,348
Due to other funds	5,177,996	-	(5,177,996)	-
Due to other governments	1,687,022	-	-	1,687,022
Due to teachers' retirement system	6,918,465	-	-	6,918,465
Due to employees' retirement system	487,914	-	-	487,914
Other postemployment benefits payable	-	668,171,133	-	668,171,133
Compensated absences	1,460,534	5,551,471	-	7,012,005
Unearned revenues	14,769	-	-	14,769
Net pension liability- proportionate share	-	11,161,857	-	11,161,857
<b>Total Liabilities</b>	<b>\$ 70,139,732</b>	<b>\$ 759,601,386</b>	<b>\$ (5,177,996)</b>	<b>\$ 824,563,122</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred taxes-city	\$ 7,900,188	\$ -	\$ (7,900,188)	\$ -
Pensions	-	17,660,495	-	17,660,495
Premium from advanced refunding	-	292,763	-	292,763
OPEB-GASB 75	-	44,439,865	-	44,439,865
Total Deferred Inflows of Resources	\$ 7,900,188	\$ 62,393,123	\$ (7,900,188)	\$ 62,393,123
<b>FUND BALANCE\NET POSITION</b>				
<b>Total Fund Balance\Net Position</b>	<b>\$ 17,564,630</b>	<b>\$ (483,624,941)</b>	<b>\$ 7,900,188</b>	<b>\$ (458,160,123)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position</b>	<b>\$ 95,604,550</b>	<b>\$ 338,369,568</b>	<b>\$ (5,177,996)</b>	<b>\$ 428,796,122</b>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2021

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	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 99,582,434	\$ 393,531	\$ -	\$ -	\$ 99,975,965
Other tax items	10,207,034	-	-	-	10,207,034
Charges for services	362,023	-	-	-	362,023
Use of money and property	129,757	-	-	-	129,757
Sale of property and compensation for loss	994	-	-	-	994
Miscellaneous	3,796,846	-	-	-	3,796,846
State sources	72,624,319	-	-	-	72,624,319
Federal sources	9,533,191	-	-	-	9,533,191
Sales - school lunch	2,753	-	-	-	2,753
<b>Total Revenues</b>	<u>196,239,351</u>	<u>393,531</u>	<u>-</u>	<u>-</u>	<u>196,632,882</u>
<b>EXPENDITURES\EXPENSES</b>					
General support	12,439,019	-	(209,501)	-	12,229,518
Instruction	106,876,837	(177,253)	-	-	106,699,584
Pupil transportation	9,121,235	-	-	-	9,121,235
Employee benefits	53,786,645	54,296,642	-	-	108,083,287
Debt service-Principal	4,914,958	-	-	(4,914,958)	-
-Interest	2,944,877	175,484	-	-	3,120,361
Cost of sales	1,516,297	-	-	-	1,516,297
Capital outlay	21,589,048	-	(21,589,048)	-	-
Depreciation and loss on disposal	-	-	5,126,151	-	5,126,151
<b>Total Expenditures</b>	<u>213,188,916</u>	<u>54,294,873</u>	<u>(16,672,398)</u>	<u>(4,914,958)</u>	<u>245,896,433</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(16,949,565)</u>	<u>(53,901,342)</u>	<u>16,672,398</u>	<u>4,914,958</u>	<u>(49,263,551)</u>
<b>OTHER SOURCES AND USES</b>					
Premium on obligations	782,360	-	-	-	782,360
Operating transfers in	4,276,228	(4,276,228)	-	-	-
Operating transfers (out)	(4,276,228)	4,276,228	-	-	-
<b>Total Other Sources (Uses)</b>	<u>782,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,360</u>
<b>Net Change for the Year</b>	<u>\$ (16,167,205)</u>	<u>\$ (53,901,342)</u>	<u>\$ 16,672,398</u>	<u>\$ 4,914,958</u>	<u>\$ (48,481,191)</u>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS

June 30, 2021

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted cash	\$ 26,978,500	\$ 19,890	\$ 75,299	\$ -	\$ 9,582,130	\$ 36,655,819
Restricted cash	31,733,522	-	-	2,590,793	-	34,324,315
Taxes receivable, net	9,471,931	-	-	-	-	9,471,931
State and federal aid receivable	4,029,715	3,136,188	466,398	-	-	7,632,301
Due from other governments	2,209,748	-	-	-	-	2,209,748
Other receivables, net	83,102	-	500	-	-	83,602
Due from other funds	3,177,996	-	-	2,000,000	-	5,177,996
Inventories	-	-	48,838	-	-	48,838
<b>Total Assets</b>	<b>\$ 77,684,514</b>	<b>\$ 3,156,078</b>	<b>\$ 591,035</b>	<b>\$ 4,590,793</b>	<b>\$ 9,582,130</b>	<b>\$ 95,604,550</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,101,898	\$ 66,944	\$ 24,620	\$ -	\$ -	\$ 10,193,462
Accrued liabilities	2,167,801	-	31,769	-	-	2,199,570
Bond anticipation notes payable	-	-	-	-	42,000,000	42,000,000
Due to teachers' retirement system	6,918,465	-	-	-	-	6,918,465
Due to employees' retirement system	487,914	-	-	-	-	487,914
Due to other funds	2,000,000	3,072,409	105,332	-	255	5,177,996
Due to other governments	1,670,277	16,725	20	-	-	1,687,022
Compensated absences payable	1,460,534	-	-	-	-	1,460,534
Unearned revenues	-	-	14,769	-	-	14,769
<b>Total Liabilities</b>	<b>24,806,889</b>	<b>3,156,078</b>	<b>176,510</b>	<b>-</b>	<b>42,000,255</b>	<b>70,139,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred taxes (city)	7,900,188	-	-	-	-	7,900,188
<b>Total Deferred Inflows of Resources</b>	<b>7,900,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,900,188</b>
<b>FUND BALANCES</b>						
Non-spendable	-	-	48,838	-	-	48,838
Restricted	31,733,522	-	-	4,590,793	5,089,964	41,414,279
Assigned	5,404,517	-	365,687	-	-	5,770,204
Unassigned (Deficit)	7,839,398	-	-	-	(37,508,089)	(29,668,691)
<b>Total Fund Balances</b>	<b>44,977,437</b>	<b>-</b>	<b>414,525</b>	<b>4,590,793</b>	<b>(32,418,125)</b>	<b>17,564,630</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 77,684,514</b>	<b>\$ 3,156,078</b>	<b>\$ 591,035</b>	<b>\$ 4,590,793</b>	<b>\$ 9,582,130</b>	<b>\$ 95,604,550</b>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL  
FUNDS

For Year Ended June 30, 2021

	----- General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 99,582,434	\$ -	\$ -	\$ -	\$ -	\$ 99,582,434
Other tax items	10,207,034	-	-	-	-	10,207,034
Charges for services	362,023	-	-	-	-	362,023
Use of money and property	128,908	-	134	715	-	129,757
Sale of property and compensation for loss	994	-	-	-	-	994
Miscellaneous	3,777,331	18,491	1,024	-	-	3,796,846
State sources	69,495,051	3,086,626	42,642	-	-	72,624,319
Federal sources	2,193,619	5,991,778	1,347,794	-	-	9,533,191
Sales	-	-	2,753	-	-	2,753
<b>Total Revenues</b>	<b>185,747,394</b>	<b>9,096,895</b>	<b>1,394,347</b>	<b>715</b>	<b>-</b>	<b>196,239,351</b>
<b>EXPENDITURES</b>						
General support	12,439,019	-	-	-	-	12,439,019
Instruction	97,202,116	9,619,516	-	-	55,205	106,876,837
Pupil transportation	9,121,235	-	-	-	-	9,121,235
Employee benefits	53,408,278	-	378,367	-	-	53,786,645
Debt service						
Principal	4,914,958	-	-	-	-	4,914,958
Interest	2,944,877	-	-	-	-	2,944,877
Cost of sales	-	-	1,516,297	-	-	1,516,297
Capital outlay	-	10,751	-	-	21,578,297	21,589,048
<b>Total Expenditures</b>	<b>180,030,483</b>	<b>9,630,267</b>	<b>1,894,664</b>	<b>-</b>	<b>21,633,502</b>	<b>213,188,916</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,716,911</b>	<b>(533,372)</b>	<b>(500,317)</b>	<b>715</b>	<b>(21,633,502)</b>	<b>(16,949,565)</b>
<b>OTHER SOURCES AND USES</b>						
Premium on obligations	-	-	-	782,360	-	782,360
Operating transfers in	875,052	546,176	600,000	2,000,000	255,000	4,276,228
Operating transfers (out)	(3,401,176)	(12,804)	-	(687,800)	(174,448)	(4,276,228)
<b>Total Other Sources (Uses)</b>	<b>(2,526,124)</b>	<b>533,372</b>	<b>600,000</b>	<b>2,094,560</b>	<b>80,552</b>	<b>782,360</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>3,190,787</b>	<b>-</b>	<b>99,683</b>	<b>2,095,275</b>	<b>(21,552,950)</b>	<b>(16,167,205)</b>
<b>Fund Equity (Deficit) - Beginning of year</b>	<b>41,786,650</b>	<b>-</b>	<b>314,842</b>	<b>2,495,518</b>	<b>(10,865,175)</b>	<b>33,731,835</b>
<b>Fund Equity (Deficit) -End of year</b>	<b>\$ 44,977,437</b>	<b>\$ -</b>	<b>\$ 414,525</b>	<b>\$ 4,590,793</b>	<b>\$ (32,418,125)</b>	<b>\$ 17,564,630</b>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2021

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	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
<b>ASSETS</b>			
Cash	\$ 334,208	\$ -	\$ 277,553
Due from governmental funds	-	-	-
<b>Total Assets</b>	<b>\$ 334,208</b>	<b>\$ -</b>	<b>\$ 277,553</b>
 <b>LIABILITIES</b>			
Other liabilities	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	-	-	-
 <b>NET POSITION</b>			
Reserved for scholarships Individuals, Organizations and Other governments	\$ 334,208	-	-
	-	-	277,553
<b>Total Net Position</b>	<b>\$ 334,208</b>	<b>\$ -</b>	<b>\$ 277,553</b>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For Year Ended June 30, 2021

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	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
<b>ADDITIONS</b>			
Contributions	\$ 7,401	\$ -	\$ 17,320
Interest	7,873	-	3,659
Unclassified	-	-	119,314
<b>Total Additions</b>	<u>15,274</u>	<u>-</u>	<u>140,293</u>
<b>DEDUCTIONS</b>			
Scholarships and awards	12,275	-	24,676
Other custodial activities	-	-	119,058
<b>Total Deductions</b>	<u>12,275</u>	<u>-</u>	<u>143,734</u>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	2,999	-	(3,441)
<b>Net Position - Beginning of year</b>	<u>331,209</u>	<u>-</u>	<u>280,994</u>
<b>Net Position - End of year</b>	<u>\$ 334,208</u>	<u>\$ -</u>	<u>\$ 277,553</u>

See auditor's report. See notes to financial statements.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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**I. Summary of Significant Accounting Policies**

The financial statements of the Kingston City School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

**A. Reporting Entity**

The Kingston City School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**B. Joint Venture**

The Kingston City School District is one of 9 component school districts in the Ulster Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under 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 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 administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

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 their 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 ended June 30, 2021, the Kingston City School District was billed \$17,730,931 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$4,910,552. Financial statements for the BOCES Aid are available from the BOCES administrative office.

**C. Basis of Presentation**

**1. Districtwide Statements**

The Districtwide Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes,

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

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

**1. Districtwide Statements (Continued)**

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

**2. Fund Financial Statements**

The fund financial 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 funds:

**a. Major Governmental Funds**

- (1) General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

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

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

**a. Major Governmental Funds (Continued)**

- (3) School Lunch Fund** – Used to account for transactions of the District’s lunch and breakfast programs.
- (4) Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**b. Fiduciary Funds**

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 districtwide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**F. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 15 to December 15.

The City of Kingston and County of Ulster in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City and County to the District within two years from the return of unpaid taxes to the City and County. Real property taxes receivable, expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

**G. Restricted Resources**

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

**H. Interfund Transactions**

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

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**I. Estimates**

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

**J. Receivables**

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

**K. Inventories and Prepaid Items**

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

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

**L. Other Assets/Restricted Assets**

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**L. Other Assets/Restricted Assets (Continued)**

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**M. Capital Assets**

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Site Improvements	\$ 5,000	20
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	8

**N. Compensated Absences**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**N. Compensated Absences (Continued)**

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

**O. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

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

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

**P. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**Q. Deferred Inflows of Resources**

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 three items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The third item is related to the premium received from advanced refunding which is amortized over the life of the bond issue.

**R. Unearned Revenue**

Unearned revenues arise 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 or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**S. Other Benefits**

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

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**T. Short-Term Debt**

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

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

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

**U. Equity Classifications**

**1. Districtwide Statements**

In the districtwide statements there are three classes of net position:

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

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

**Unrestricted net position** – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements**

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

**Non-spendable** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$48,838.

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

**1. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

**2. Unemployment Insurance**

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

2. Fund Statements (Continued)

3. Property Loss and Liability

This reserve is used to pay for property loss and liability claims incurred. Separate property loss and liability claims are required and these reserves may not exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except city school districts with a population greater than 125,000. This reserve is accounted for in the General Fund.

4. Tax Certiorari

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

5. Employee and Teacher Retirement Contributions

This reserve is used for future employees' retirement obligations and teachers' retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

6. Capital

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

7. Tax Reduction

This reserve is created by the Board of Education from the proceeds of the sale of real property, after being used for any other legally required purpose. It is to be used to reduce real property taxes over a period of time, not to exceed ten years.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements (Continued)**

Restricted fund balance includes the following:

General Fund:

Reserve for Property Loss and Liability	\$ 102,309
Unemployment Insurance	433,776
Employee & Teacher Retirement Contributions	8,029,014
Tax Certiorari	9,323,549
Capital Reserve	10,934,505
Liability	102,294
Tax Reduction	2,808,075
Capital Fund	5,089,964
Debt Service Fund	4,590,793
Total restricted funds	<u>\$ 41,414,279</u>

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2021.

**Assigned** – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$1,404,517 and the assigned fund balance amounted to \$4,000,000.

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements (Continued)**

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

**Order of Use of Fund Balance:**

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

**V. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

GASB has issued Statement 84, Fiduciary Activities, effective for the year ending June 30, 2021.

**W. Future Changes in Accounting Standards**

GASB has issued Statement 87, Leases, effective for the year ending June 30, 2022.

GASB has issued Statement 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, effective for the year ending June 30, 2022.

GASB has issued Statement 91, Conduit Debt Obligations, effective for the year ending June 30, 2023.

GASB has issued Statement 92, Omnibus 2020, effective for the year ending June 30, 2022.

GASB has issued Statement 93, Replacement of Interbank Offered Rates, effective dates vary based on specific paragraphs of the statement from the year ending June 30, 2021, 2022 and 2023.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**W. Future Changes in Accounting Standards (Continued)**

GASB has issued Statement 96, Subscription-based Information technology Arrangements, effective for the year ending June 30, 2023.

GASB has issued Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal revenue Code Section 457 Deferred Compensation Plans, effective for the year ending June 30, 2022.

The school district will evaluate the impact that these pronouncements may have on its financial statements and will implement them as applicable and when material.

**II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements**

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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.

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

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

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

a. 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.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)**

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

b. Capital related differences:

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

c. 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.

d. 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.

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$261,368,648
Accumulated depreciation	<u>94,198,561</u>
Capital assets, net	<u>\$167,170,087</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds and notes payable	<u>\$ 71,395,000</u>
Other debt	<u>\$ 2,534,348</u>
Compensated absences payable	<u>\$ 5,551,471</u>
OPEB obligations	<u>\$668,171,133</u>
Net Pension Liability-Proportionate Share	<u>\$ 11,161,857</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)**

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$4,796,917 was less than capital expenditures of \$21,798,549 in the current year.

Repayment of bond principal of \$4,914,958 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires 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. The interest reported in the Statement of Activities increased by \$175,484.

**III. Cash and Investments**

**A. Deposits**

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**III. Cash and Investments (Continued)**

**A. Deposits (Continued)**

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

**IV. Interfund Transaction**

Interfund balances at June 30, 2021 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 3,177,996	\$ 2,000,000	\$ 875,052	\$ 3,401,176
Special Aid Fund	-	3,072,409	546,176	12,804
School Lunch Fund	-	105,332	600,000	-
Debt Service Fund	2,000,000	-	2,000,000	687,800
Capital Fund	-	255	255,000	174,448
Total governmental activities	<u>\$ 5,177,996</u>	<u>\$ 5,177,996</u>	<u>\$ 4,276,228</u>	<u>\$ 4,276,228</u>

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**V. Capital Assets**

A summary of changes in general fixed assets follows:

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
<u>Capital assets-not depreciated:</u>				
Land	\$ 736,128	\$ -	\$ -	736,128
Construction in progress	29,644,896	21,134,672	12,529	50,767,039
Total capital assets-not depreciated:	<u>30,381,024</u>	<u>21,134,672</u>	<u>12,529</u>	<u>51,503,167</u>
 <u>Other capital assets:</u>				
Buildings and improvements	204,796,409	446,924	4,571,890	200,671,443
Machinery and equipment	8,097,142	170,779	299,427	7,968,494
Vehicles	1,166,842	58,703	-	1,225,545
Total other capital assets:	<u>214,060,393</u>	<u>676,406</u>	<u>4,871,317</u>	<u>209,865,482</u>
 <u>Less accumulated depreciation:</u>				
Buildings and improvements	88,081,335	4,368,458	4,271,443	88,178,350
Machinery and equipment	5,151,310	341,959	270,640	5,222,629
Vehicles	711,082	86,500	-	797,582
Total accumulated depreciation	<u>93,943,727</u>	<u>4,796,917</u>	<u>4,542,083</u>	<u>94,198,561</u>
Other capital assets, net	<u>120,116,666</u>	<u>(4,120,511)</u>	<u>329,234</u>	<u>115,666,921</u>
Total	<u>\$ 150,497,690</u>	<u>\$ 17,014,161</u>	<u>\$ 341,763</u>	<u>\$ 167,170,088</u>

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans**

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

**Teachers' Retirement System (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. 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.nystrs.org](http://www.nystrs.org).

**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. 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 obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

Funding Policies:

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 6 vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	<u>ERS</u>	<u>TRS</u>
2021	\$1,757,820	\$6,348,876
2020	\$1,657,552	\$6,054,059
2019	\$1,595,562	\$7,217,880

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

At June 30, 2021, 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, 2021 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.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	1-Apr-20	30-Jun-19
Net pension liability/(asset)	\$37,615	\$11,124,242
District's portion of the Plan's total net pension liability/asset	.0377760%	.402575%
Change in proportion since the prior measurement date	.0008599%	(.004605%)

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VI. Pension Plans (Continued)**

For the year ended June 30, 2021, the District's recognized pension expense of \$1,082,418 for ERS and \$14,847,216 for TRS. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$459,382	\$9,747,062	\$0	\$570,096
Changes of assumptions	6,916,197	14,069,578	130,442	5,015,069
Net difference between projected and actual earnings on pension plan investments	0	7,265,105	10,805,262	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	506,374	587,684	29,704	1,109,922
District's contributions subsequent to the measurement date	487,914	6,348,876	0	0
<b>Total</b>	<b>\$8,369,867</b>	<b>\$38,018,305</b>	<b>\$10,965,408</b>	<b>\$6,695,087</b>

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2021	\$ -	\$ 4,203,575
2022	(\$458,659)	8,617,950
2023	(\$112,445)	7,123,217
2024	(\$491,052)	4,403,735
2025	(\$2,021,298)	84,641
2026	\$ -	
Thereafter	\$0	541,225

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9%	7.10%
Salary scale	4.40%	1.90%-4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

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

Measurement date	<u>ERS</u> March 31, 2021	<u>TRS</u> June 30, 2020
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	32%	33%
International Equities	15%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate Equity	9%	11%
Domestic fixed income securities	23%	16%
Global bonds	0%	2%
Private debt	4%	1%
Absolute return strategies	3%	0%
Real estate debt	0%	7%
Cash Equivalents	1%	1%
High yield fixed income securities	0%	1%
Real assets	3%	0%

5. Discount Rate

The discount rate used to calculate the total pension liability was 5.90 % for ERS and 7.10 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

6. Sensitivity of the Proportionate Share of 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 5.90% for ERS and 7.10% 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 (4.9% or ERS and 6.10% for TRS) or 1-percentage point higher (6.9% for ERS and 8.10% for TRS) than the current rate :

ERS	1% Decrease <u>(4.90%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$10,440,487	\$37,615	(\$9,556,268)
TRS	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$70,268,006	\$11,124,242	(\$38,512,363)

7. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
	March 31, 2021	June 30, 2020
Measurement date		
Employers' total pension liability	\$ 220,680,157	\$ 123,242,776,215
Plan Fiduciary Net Position	220,580,583	120,479,505,380
Employers' net pension liability/(asset)	99,574	2,763,270,835
Plan fiduciary net position as a percentage of total pension (asset)/liability	99.9500%	97.8000%

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. 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 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$487,914.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$6,918,465.

**VII. Short-Term Debt Obligations**

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/21</u>
BANS	2021	2.25%	<u>\$22,000,000</u>	<u>\$42,000,000</u>	<u>\$22,000,000</u>	<u>\$42,000,000</u>

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

Interest paid	\$ 495,000
Less interest accrued in the prior year	(316,247)
Plus interest accrued in the current year	<u>600,556</u>
Total expense	<u>\$779,309</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VIII. Long-Term Debt Obligations**

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

**1. Long-Term Debt Interest**

Interest paid	\$ 2,449,877
Less interest accrued in the prior year	(198,258)
Plus interest accrued in the current year	187,021
Amortization of refunding premium	<u>(97,588)</u>
Total expense	<u>\$2,341,052</u>

**2. Changes**

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021	Due Within One Year
Serial Bonds	\$ 75,925,000	\$ -	\$ 4,530,000	\$ 71,395,000	<u>\$ 4,685,000</u>
Other debt-EPC	2,919,306	-	384,958	2,534,348	<u>\$ 395,188</u>
Compensated Absences	5,728,724	-	177,253	5,551,471	
OPEB Obligations	683,955,810	43,728,370	59,513,047	668,171,133	
Net Pension Liability- Proportionate Share	9,775,597	1,386,260	-	11,161,857	
Totals	<u>\$ 778,304,437</u>	<u>\$ 45,114,630</u>	<u>\$ 64,605,258</u>	<u>\$ 758,813,809</u>	

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VIII. Long-Term Debt Obligations (Continued)**

**3. Maturity**

a. The following is a summary of the debt issued:

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2021</u>
Serial Bonds:				
Construction	2009	2024	4.03%	\$ 1,125,000
Refunded-2009	2016	2024	4.00%	2,880,000
Construction	2010	2025	2.95%	795,000
Construction	2018	2037	3.05%	66,595,000
				<u>\$ 71,395,000</u>
EPC	2012	2027	2.64%	<u>\$ 2,534,348</u>

b. The following is a summary of maturing principal debt service requirements:

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Serial Bonds:	2022	\$ 4,685,000	\$ 2,228,106	\$ 6,913,106
	2023	4,840,000	2,075,469	6,915,469
	2024	4,995,000	1,917,194	6,912,194
	2025	3,835,000	1,753,312	5,588,312
	2026	3,950,000	1,637,375	5,587,375
	2027 and thereafter	49,090,000	9,751,681	58,841,681
	Total	<u>\$ 71,395,000</u>	<u>\$ 19,363,137</u>	<u>\$ 90,758,137</u>

**Prior Year Defeasance**

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**IX. Other Debt**

The Kingston City School District entered into an Energy Performance Contract which is accounted for as other debt. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2021.

Year Ending June 30,	General Long-Term Debt
2022	\$ 459,503
2023	459,503
2024	459,503
2025	459,503
2026	459,503
2027 -thereafter	459,503
Minimum Lease Payments - Capital Leases	<u>2,757,018</u>
Less: Amount representing interest of .73% per annum	222,670
Present Value-Minimum Lease Payments	<u>\$ 2,534,348</u>

**X. Postemployment (Health Insurance) Benefits**

**A. General Information about the OPEB Plan**

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

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

*Employees Covered by Benefit Terms-* At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	916
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1023</u>
Total membership	1939

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**X. Postemployment (Health Insurance) Benefits (Continued)**

**B. Total OPEB Liability**

The District's total OPEB liability of \$668,171,133 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs-* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	varied by years of service and retirement system
Discount Rate	2.16%
Healthcare Cost Trend Rates	5.70% from 2020 to 2021, decreasing to an ultimate rate of 4.04% by 2075

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

Mortality rates were based on the PUB-2010 Headcount-Weighted table projected fully generationally using MP-2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period April 1, 2015-March 31, 2020.

**B. Changes in the Total OPEB Liability**

Balance at June 30, 2020	<u>\$683,955,810</u>
<u>Changes for the Year</u>	
Service cost	28,189,702
Interest	15,538,668
Changes of benefit terms	-
Differences between expected and actual experience	(40,272,250)
Changes in assumptions or other inputs	(1,064,716)
Benefit payments	<u>(18,176,081)</u>
Net Changes	<u>(15,784,677)</u>
Balance at June 30, 2021	<u>\$668,171,133</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**X. Postemployment (Health Insurance) Benefits (Continued)**

**C. Changes in the Total OPEB Liability**

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 % in 2020 to 2.16% in 2021.

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

	(1.16%) <u>1% Decrease</u>	Discount Rate (2.16%)	(3.16%) <u>1% Increase</u>
Total OPEB Liability	<u>\$ 834,111,893</u>	<u>\$ 668,171,133</u>	<u>\$ 588,236,712</u>

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 565,050,346</u>	<u>\$ 668,171,133</u>	<u>\$ 871,945,444</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**X. Postemployment (Health Insurance) Benefits (Continued)**

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of \$46,547,024. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$29,086,054	(\$33,560,208)
Changes of assumptions or other inputs	<u>95,725,254</u>	<u>(\$10,879,657)</u>
Total	<u>\$124,811,308</u>	<u>(\$44,439,865)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 20,994,735
2023	20,994,735
2024	20,994,735
2025	24,276,729
2026	(6,889,491)
Thereafter	-

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

1. General Information

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

2. Workers' Compensation Insurance

The Kingston City School District participates in a risk sharing pool, Ulster County Workers' Compensation Fund, 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. The pool has a December 31 year end. At December 31, 2020, the School District's share of the liability for unbilled and open claims was \$300,000. The liability is reported in the General Fund.

3. Grants

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

4. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

There are State Court revival actions under the New York Child Victims Act CPLR 214-g by two former students alleging sexual abuse by a former teacher and administrator during the 1980s. The School District is vigorously defending the matter and the parties are currently in discovery. The contingent liability cannot be determined at this time.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Commitments and Contingencies (Continued)**

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

**4. Litigation (Continued)**

There is State Court revival action under the New York Child Victims Act CPLR 214-g by a child who was a member of the Boy Scouts of America alleging sexual abuse by a Scout leader and volunteer during 1971-73. The School District is vigorously defending the matter and expects that it will be dismissed as the alleged individual was not an employee of the District.

Parents of a child requested an independent neuropsychological evaluation that was initially denied but to avoid the necessity of a proceeding, the District has offered to settle the matter by reimbursing the parents for up to \$6,500 towards the cost of the evaluation. The offer has been accepted by the parents and a Settlement Agreement will be signed.

**XII. Tax Abatements**

The County of Ulster, enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$ 4,211,261. The District received payments in Lieu of Tax (PILOT) payment totaling \$1,552,225.

**XIII. Other Disclosures**

**A. Interfund Transfer**

The 2020-21 interfund transfer budget was increased as follows:

Original Budget	\$ 680,000
Revisions:	
Debt Service Allocation	2,000,000
Food Service Subsidy	600,000
Special Aid for Summer Handicap Program	<u>121,176</u>
Final Budget	<u>\$3,401,176</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIII. Other Disclosures (Continued)**

**B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**

Total governmental fund balance	\$ 17,564,630
Capital assets (net)	167,170,088
Deferred outflows of resources	171,199,480
Bonds payable	(71,395,000)
Capital lease payable	(2,534,348)
Accrued interest payable	(787,577)
Net pension liability- proportionate share	(11,161,857)
Deferred inflows of resources	(62,393,123)
Compensated absences	(5,551,471)
Deferred taxes (city)	7,900,188
OPEB obligations	<u>(668,171,133)</u>
Total net position	<u>\$ (458,160,123)</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIII. Other Disclosures (Continued)**

**C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Net changes in fund balance – total governmental funds	\$ (16,167,205)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	21,798,549
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(4,796,917)
Loss on disposal of assets	(329,234)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	4,914,958
Amortized amount of credit expensed to interest on Statement of Activities.	97,588
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2020/21 results in more expense.	(273,072)
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities-Real Property Taxes	393,531
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	(8,494,899)
Employees' Retirement System	745,281
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(46,547,024)
Compensated absences	<u>177,253</u>
Change in Net Position – Governmental Activities	<u>(\$ 48,481,191)</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIV. Stewardship, Compliance and Accountability**

**A. Budgetary Procedures and Budgetary Accounting**

1. Budgets

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

Appropriations are adopted at the program line item level.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (When permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The General Fund budget was increased to reflect the use of reserves in the amount of \$775,000 and the receipt of gifts and donations in the amount of \$39,119.

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

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

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIV. Stewardship, Compliance and Accountability (Continued)**

**A. Budgetary Procedures and Budgetary Accounting (Continued)**

2. Encumbrances

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

3. The Capital Fund had a deficit fund balance in the amount of \$32,418,125 at June 30, 2021. The deficit will be eliminated when the District obtains permanent financing for a Capital project.

**XV. Subsequent Events**

There were no significant subsequent events to report from the period of July 1, 2021 to September 23, 2021.

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND  
For Year Ended June 30, 2021  
-----

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property tax items	\$ 99,978,942	\$ 99,975,973	\$ 99,582,434	\$ (393,539)
Other tax items	9,690,956	9,693,925	10,207,034	513,109
Charges for services	427,250	427,250	362,023	(65,227)
Use of money and property	817,500	817,500	128,908	(688,592)
Sale of property and compensation for loss	1,000	1,000	994	(6)
Miscellaneous	1,310,200	1,349,320	3,777,331	2,428,011
<b>Total Local Sources</b>	<u>112,225,848</u>	<u>112,264,968</u>	<u>114,058,724</u>	<u>1,793,756</u>
State sources	69,619,717	67,474,730	69,495,051	2,020,321
Federal sources	200,000	2,344,986	2,193,619	(151,367)
<b>Total Revenues</b>	<u>182,045,565</u>	<u>182,084,684</u>	<u>185,747,394</u>	<u>3,662,710</u>
<b>Other Financing Sources</b>				
Operating transfers in	1,027,248	1,027,248	875,052	(152,196)
<b>Total Revenue and Other Financing Sources</b>	<u>183,072,813</u>	<u>183,111,932</u>	<u>186,622,446</u>	<u>\$ 3,510,514</u>
<b>Appropriated Reserves</b>	1,347,200	5,624,659		
<b>Appropriated Fund Balance</b>	<u>3,000,000</u>	<u>3,000,000</u>		
<b>Total Revenues, Other Financing Sources and Appropriated Reserves and Fund Balance</b>	<u>\$ 187,420,013</u>	<u>\$ 191,736,591</u>		

See paragraph on required supplementary information included in auditor's report.

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-  
GENERAL FUND  
For Year Ended June 30, 2021  
-----

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 116,713	\$ 131,355	\$ 72,648	\$ 780	\$ 57,927
Central administration	291,688	304,270	300,394	-	3,876
Finance	967,587	970,367	932,790	1,741	35,836
Staff	702,417	707,189	623,098	-	84,091
Central services	7,569,725	7,696,544	6,823,814	272,335	600,395
Special items	2,997,564	3,856,534	3,686,275	66,400	103,859
<b>Total General Support</b>	<u>12,645,694</u>	<u>13,666,259</u>	<u>12,439,019</u>	<u>341,256</u>	<u>885,984</u>
Instructional					
Instruction, administration and improvement	5,073,710	5,236,137	4,912,191	87,074	236,872
Teaching - regular school	44,925,212	44,120,142	42,114,848	278,557	1,726,737
Programs for children with handicapping conditions	35,270,458	37,189,886	35,626,334	2,876	1,560,676
Occupational education	3,594,576	3,594,603	3,592,703	-	1,900
Teaching - special school	2,484,488	2,460,186	2,300,881	-	159,305
Instructional media	3,470,468	3,850,734	3,507,093	155,582	188,059
Pupil services	6,163,062	6,196,625	5,148,066	43,684	1,004,875
<b>Total Instructional</b>	<u>100,981,974</u>	<u>102,648,313</u>	<u>97,202,116</u>	<u>567,773</u>	<u>4,878,424</u>
Pupil Transportation	9,801,040	10,250,714	9,121,235	495,488	633,991
Employee Benefits	54,946,469	53,905,293	53,408,278	-	497,015
Debt Service-Principal	4,914,958	4,914,958	4,914,958	-	-
-Interest	3,449,878	2,949,878	2,944,877	-	5,001
<b>Total Expenditures</b>	<u>186,740,013</u>	<u>188,335,415</u>	<u>180,030,483</u>	<u>1,404,517</u>	<u>6,900,415</u>
<b>OTHER FINANCING USES</b>					
Operating transfers out	680,000	3,401,176	3,401,176	-	-
<b>Total Expenditures and Other Financing Uses</b>	<u>\$ 187,420,013</u>	<u>\$ 191,736,591</u>	<u>183,431,659</u>	<u>\$ 1,404,517</u>	<u>\$ 6,900,415</u>
<b>Net change in fund balance</b>			3,190,787		
<b>Fund balance- Beginning</b>			<u>41,786,650</u>		
<b>Fund balance- Ending</b>			<u>\$ 44,977,437</u>		

See paragraph on required supplementary information included in auditor's report.

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY  
For Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service Cost at end of year	\$ 28,189,702	\$ 18,424,784	\$ 11,162,534	\$ 11,620,821
Interest	15,538,668	18,710,941	17,787,577	16,416,211
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(40,272,250)	3,455,039	46,869,717	-
Changes of assumptions or other inputs	(1,064,716)	137,439,578	7,173,019	(23,266,782)
Benefit payments	(18,176,081)	(17,300,759)	(16,307,990)	(13,564,515)
<b>Net change in Total OPEB Liability</b>	<u>(15,784,677)</u>	<u>160,729,583</u>	<u>66,684,857</u>	<u>(8,794,265)</u>
<b>Total OPEB Liability- beginning</b>	683,955,810	523,226,227	456,541,370	465,335,635
<b>Total OPEB Liability- ending</b>	<u>\$ 668,171,133</u>	<u>\$ 683,955,810</u>	<u>\$ 523,226,227</u>	<u>\$ 456,541,370</u>
<b>Covered-employee payroll</b>	68,304,149	71,130,418	65,899,339	64,009,525
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	978.20%	961.55%	793.98%	713.24%

See paragraph on required supplementary information included in auditor's report

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY  
June 30, 2021  
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Teachers' Retirement System

	2021	2020	2019	2018	2017	2016
District 's proportion of the net pension asset/liability	.402575%	.407180%	.391968%	.400209%	.399052%	.387569%
District's proportionate share of the net pension (asset)/liability	\$ 11,124,242	\$ (10,578,565)	\$ (7,087,813)	\$ (3,041,989)	\$ 4,274,012	\$ (40,256,105)
District's covered-employee payroll	\$ 67,691,193	\$ 69,304,699	\$ 69,264,509	\$ 65,109,087	\$64,545,823	\$ 62,836,184
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	16.43%	15.26%	10.23%	4.67%	6.62%	64.07%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	94.70%	110.46%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016
District 's proportion of the net pension liability	.0377760%	.0369161%	.04%	.0380923%	.0345990%	.0348273%
District's proportionate share of the net pension liability	\$ 37,615	\$ 9,775,597	\$ 2,634,247	\$ 1,229,407	\$ 3,250,998	\$ 5,589,881
District's covered-employee payroll	\$ 11,667,436	\$ 11,769,234	\$ 11,621,696	\$ 10,849,457	\$10,449,005	\$ 10,059,771
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.32%	83.06%	22.67%	11.33%	31.11%	55.57%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	86.39%	96.27%	98.24%	99.01%	90.70%

See paragraph on required supplementary information included in auditor's report.

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
June 30, 2021

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Teachers' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,348,876	\$ 6,054,059	\$ 7,217,880	\$ 6,380,690	\$ 7,843,479	\$ 8,720,921
Contributions in relation to the contractually required contribution	<u>6,348,876</u>	<u>6,054,059</u>	<u>7,217,880</u>	<u>6,380,690</u>	<u>7,843,479</u>	<u>8,720,921</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 67,691,193</u>	<u>\$ 69,304,699</u>	<u>\$ 69,264,509</u>	<u>\$ 65,109,087</u>	<u>\$ 64,545,823</u>	<u>\$ 62,836,184</u>
Contributions as a percentage of covered employee payroll	9.4%	8.7%	10.4%	9.8%	12.1%	13.0%

Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,757,820	\$ 1,657,552	\$ 1,595,562	\$ 1,632,538	\$ 1,486,385	\$ 1,649,090
Contributions in relation to the contractually required contribution	<u>1,757,820</u>	<u>1,657,552</u>	<u>1,595,562</u>	<u>1,632,538</u>	<u>1,486,385</u>	<u>1,649,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,667,436</u>	<u>\$ 11,769,234</u>	<u>\$ 11,621,696</u>	<u>\$ 10,849,457</u>	<u>\$ 10,449,005</u>	<u>\$ 10,059,774</u>
Contributions as a percentage of covered employee payroll	15.1%	14.1%	13.7%	15.0%	14.2%	16.4%

See paragraph on required supplementary information included in auditor's report.

KINGSTON CITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND  
 THE REAL PROPERTY TAX LIMIT  
 For Year Ended June 30, 2021

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**CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET**

<b>Original Budget</b>		\$ 187,420,013
<b>Additions:</b>		
Prior year's encumbrances	\$ 3,502,459	
Gifts and donations	39,119	
Appropriated reserves	<u>775,000</u>	<u>4,316,578</u>
<b>Final Budget</b>		<u><u>\$ 191,736,591</u></u>

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

2021-22 Voter-approved Expenditure Budget		\$ 195,984,949
Maximum allowed (4% of 2021-2022 Budget)		<u>\$ 7,839,398</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Committed fund balance	\$ -	
Assigned fund balance	5,404,517	
Unassigned fund balance	<u>7,839,398</u>	
Total unrestricted fund balance		<u>\$ 13,243,915</u>
Less:		
Appropriated fund balance	4,000,000	
Encumbrances included in committed and assigned fund balance	<u>1,404,517</u>	
Total adjustments		<u>\$ 5,404,517</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 7,839,398</u></u>
Actual percentage		4.00%

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

See paragraph on required supplementary information included in auditor's report.

KINGSTON CITY SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
For Year Ended June 30, 2021

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance 30-Jun-21	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources		Total
Asbestos Mgmt.	\$ 15,000	\$ 183,150	\$ 154,172	\$ 16,301	\$ 170,473	\$ 12,677	\$ -	\$ -	\$ 183,150	\$ 183,150	\$ 12,677
Blacktop-Districtwide	25,000	534,978	390,978	9,000	399,978	135,000	-	-	534,978	534,978	135,000
Carnegie Building	-	5,001	59	-	59	4,942	-	-	5,001	5,001	4,942
Carpet-Districtwide	60,000	71,033	67,932	-	67,932	3,101	-	-	71,033	71,033	3,101
Cafeteria Renovations	125,000	125,000	79,187	-	79,187	45,813	-	-	125,000	125,000	45,813
Oil Tank	48,000	409,584	304,527	68,904	373,431	36,153	-	-	409,584	409,584	36,153
Underground Storage Tanks	-	20,000	-	-	-	20,000	-	-	20,000	20,000	20,000
Health & Safety	4,588,000	4,585,000	4,585,000	-	4,585,000	-	4,585,000	-	-	4,585,000	-
Health & Safety Accessibility	33,500	33,500	33,500	-	33,500	-	-	-	33,500	33,500	-
Masonry-Roof	176,896	176,896	176,896	-	176,896	-	176,896	-	-	176,896	-
District Facilities Master Plan	370,000	545,000	542,559	-	542,559	2,441	-	-	545,000	545,000	2,441
Building Upkeep & Repair 07-08	31,400	514,000	513,999	-	513,999	1	-	-	514,000	514,000	1
Vehicles	75,000	962,000	869,468	58,703	928,171	33,829	-	-	962,000	962,000	33,829
Mandatory Lead Testing	-	30,000	-	-	-	30,000	-	-	30,000	30,000	30,000
Districtwide Roof Repairs	-	65,000	-	-	-	65,000	-	-	65,000	65,000	65,000
Lease-Purchase Warehouse	-	247,135	247,135	-	247,135	-	-	-	247,135	247,135	-
KW Field House Roof	335,000	335,000	335,000	-	335,000	-	-	-	335,000	335,000	-
Repair Bond-EXCEL	21,133,079	21,132,410	21,132,410	-	21,132,410	-	15,130,000	6,002,410	-	21,132,410	-
KHS Fire Alarm System	-	100,052	100,052	-	100,052	-	-	-	100,052	100,052	-
Building Upkeep & Repair 08-09	225,000	225,000	225,000	-	225,000	-	-	-	225,000	225,000	-
Building Upkeep & Repair 10-11	-	125,000	125,000	-	125,000	-	-	-	125,000	125,000	-
Building Upkeep & Repair 13-14	-	248,000	248,000	-	248,000	-	-	-	248,000	248,000	-
Building Upkeep & Repair 19-20	-	100,000	-	-	-	100,000	-	-	100,000	100,000	100,000
Capital Outlay 2014-2015	100,000	100,000	3,000	97,000	100,000	-	-	-	100,000	100,000	-
Capital Outlay 2015-2016	100,000	100,000	100,000	-	100,000	-	-	-	100,000	100,000	-
Capital Outlay 2017-2018	-	100,000	100,000	-	100,000	-	-	-	100,000	100,000	-
Capital Outlay 2018-2019	-	100,000	-	-	-	100,000	-	-	100,000	100,000	100,000
Capital Outlay 2019-2020	-	100,000	12,000	-	12,000	88,000	-	-	100,000	100,000	88,000
Carnegie Library Renovation	-	3,580,000	3,574,418	-	3,574,418	5,582	2,930,000	500,000	150,000	3,580,000	5,582
Carnegie Library -LOWES Grant	-	100,000	95,634	-	95,634	4,366	-	-	100,000	100,000	4,366
Carnegie Library -City Block Gra	-	50,000	-	-	-	50,000	-	-	50,000	50,000	50,000
Anna Devine Boiler	-	459,000	411,552	47,448	459,000	-	-	-	459,000	459,000	-
Johnson Controls EPC	5,661,072	5,661,072	5,661,072	-	5,661,072	-	5,661,072	-	-	5,661,072	-
KHS Roof Repair	299,291	289,452	289,452	-	289,452	-	-	-	289,452	289,452	-
2012 Capital Upgrades	8,000,000	8,000,000	6,780,000	-	6,780,000	1,220,000	53,907	-	6,726,093	6,780,000	-
2014 Capital Upgrades	6,950,000	6,950,000	6,985,634	-	6,985,634	(35,634)	4,330,000	-	2,655,634	6,985,634	-
2018 Capital Upgrades	-	16,000,000	1,763,096	8,685,429	10,448,525	5,551,475	-	-	5,000,000	5,000,000	(5,448,525)
Meagher School Renovations	-	4,226,248	4,193,724	-	4,193,724	32,524	-	-	4,226,248	4,226,248	32,524
KHS Second Century	137,500,000	137,500,000	100,717,772	12,825,165	113,542,937	23,957,063	76,000,000	-	9,803,907	85,803,907	(27,739,030)
Totals	\$ 185,851,238	\$ 214,088,511	\$ 160,818,228	\$ 21,807,950	\$ 182,626,178	\$ 31,462,333	\$ 108,866,875	\$ 6,502,410	\$ 34,838,767	\$ 150,208,052	\$ (32,418,126)

See paragraph on required supplementary information included in auditors' report.

KINGSTON CITY SCHOOL DISTRICT  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2021

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Capital assets, net		\$167,170,087
Deduct:		
Bond anticipation notes payable	\$ 42,000,000	
Short-term portion of capital lease	395,188	
Long-term portion of capital lease	2,139,160	
Short-term portion of bonds payable	4,685,000	
Long-term portion of bonds payable	66,710,000	
Less: unspent bond anticipation note proceeds	(14,260,970)	
Less: unspent bond proceeds	(5,582)	
	101,662,796	
Net investment in capital assets		\$ 65,507,291

See paragraph on required supplementary information included in auditor's report.

# RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants  
P.O. Box 538  
Claverack, New York 12513

Telephone: (518) 851-6650  
Fax: (518) 851-6675  
www.rgpreusser-cpa.com

## 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 Board of Education of the  
Kingston City School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Kingston City School District as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Kingston City 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

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

*Raymond G. Preusser, CPA, PC*

Claverack, New York  
September 23, 2021

[DRAFT FORM OF APPROVING OPINION]

November 10, 2021

City School District of the City of Kingston,  
County of Ulster,  
State of New York

RE: CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON,  
ULSTER COUNTY, NEW YORK  
\$44,800,000\* SCHOOL DISTRICT (SERIAL) BONDS, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$44,800,000\* School District (Serial) Bonds, 2021 (the "Obligations"), of the City School District of the City of Kingston, Ulster County, New York (the "Obligor"), dated November 10, 2021, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years 20\_\_ to 20\_\_, both inclusive, payable on June 15, 2022 and semi-annually thereafter on December 15 and June 15, and maturing in the amount of \$\_\_\_\_\_ on June 15 in each of the years 20\_\_ to 20\_\_, both inclusive.

The bonds maturing on or before June 15, 2029 will not be subject to redemption prior to maturity. The bonds maturing on or after June 15, 2030 will be subject to redemption prior to maturity at the option of the Obligor, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after August 15, 2029, at par plus accrued interest to the date of redemption.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

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\* Subject to change.

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and

the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP