PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2019

NEW ISSUE **STANDARD & POOR'S CORP.**
See "Rating" herein

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "Tax Exemption" herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that interest on the Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. 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 accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

The Bonds will be deemed designated and will be treated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

HAMBURG CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District")

$9,775,000 SCHOOL DISTRICT SERIAL BONDS, 2019
(BOOK-ENTRY-ONLY BONDS) (DESIGNATED/BANK QUALIFIED)
(the "Bonds")

Dated: March 19, 2019

SEE BOND MATURITY SCHEDULES HEREIN

Security and Sources of Payment: The Bonds are general obligations of the Hamburg Central School District, Erie County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from *ad valorem* taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York (the "Tax Levy Limit Law"). See "Tax Levy Limit Law," herein.

Prior Redemption: The Bonds maturing on March 15, 2028 and thereafter are subject to redemption, prior to maturity, at the option of the District, on March 15, 2027, and thereafter on any date, in accordance with the terms described herein. (Under certain circumstances, the District may provide conditional notice of such redemption). See "Optional Redemption" under "The Bonds," herein.

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their interests in the Bonds purchased. See "Book-Entry-Only System" under "The Bonds," herein.

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers 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" under "The Bonds," herein.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the legal opinion as to the validity of the Bonds of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel,. It is anticipated that the Bonds will be available for delivery in New York, New York or at such other place as may be agreed with the purchaser on or about March 19, 2019.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS. UNLESS THE BONDS ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE ANNUAL FINANCIAL INFORMATION AND OPERATING DATA AND NOTICE OF CERTAIN DESIGNATED EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE " DISCLOSURE UNDERTAKING," HEREIN).

HAMBURG CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District")

$9,775,000 SCHOOL DISTRICT SERIAL BONDS, 2019

BOND MATURITY SCHEDULE

Dated: March 19, 2019

Principal Due: **March 15, 2020-2033, inclusive**
Interest Due: **September 15, 2019, and semi-annually thereafter on March 15 and September 15 in each year to maturity (or earlier redemption).**

Year	Amount*	Rate	Yield or Price	CUSIP #
2020	$565,000			
2021	580,000			
2022	600,000			
2023	620,000			
2024	640,000			
2025	660,000			
2026	680,000			
2027	705,000			
2028	725,000**			
2029	750,000**			
2030	775,000**			
2031	800,000**			
2032	825,000**			
2033	850,000**			

*Amounts are subject to adjustment by the District following the sale, pursuant to the terms of the Notice of Bond Sale relating to the Bonds, to achieve substantially level or declining annual debt service, as provided in Section 58.00(c)(2) of the Local Finance Law.
**Subject to redemption prior to maturity.

HAMBURG CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

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BOARD OF EDUCATION

Thomas Flynn, III, President
Cameron Hall, Vice President

Laura Heeter
Robbin List
Michael McGarry
Richard Schneider
David Yoviene

School District Officials

Michael Cornell, Superintendent of Schools
Barbara Sporyz, Assistant Superintendent of Administrative Services and Finance
Kathleen Selby, District Treasurer

* * *

BOND COUNSEL

Hodgson Russ LLP
Buffalo, New York

* * *

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No person has been authorized by the District to give any information or to make any representations not 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 any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

$9,775,000

HAMBURG CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

SCHOOL DISTRICT SERIAL BONDS, 2019
(BOOK-ENTRY-ONLY BONDS) (DESIGNATED/BANK QUALIFIED)

This Official Statement, including the cover page and appendices, presents certain information relating to the Hamburg Central School District, Erie County, New York (the “District”, “County", and "State," respectively) in connection with the sale of the District’s $9,775,000 School District Serial Bonds, 2019 (the "Bonds").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the 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.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery, and will mature on March 15, in each of the years 2020 to 2033, inclusive, in the principal amounts set forth on the inside cover page.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable September 15, 2019, and semi-annually thereafter on March 15 and September 15 in each year until maturity (or earlier redemption). Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The Record Date of the Bonds will be the last business day of the month preceding each interest payment date.

Optional Redemption

The Bonds maturing on or before March 15, 2027 will not be subject to redemption, in whole or in part, prior to maturity. The Bonds maturing on or after March 15, 2028 will be subject to redemption prior to maturity, at the option of the District, on March 15, 2027 or on any date thereafter, 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 par (100%) plus accrued interest to the date of redemption. Notice of the call for such redemption shall be given by mailing such notice to the registered owners thereof not more than sixty (60) days nor less than thirty (30) days prior to the designated redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such notice of redemption, become due and payable, together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected at random (by lot or in any other customary manner of selection as determined by the District).

The District may provide conditional notice of redemption, which may state that such redemption is conditioned upon the receipt of moneys and/or any other event. If any such condition is not satisfied, such redemption shall not occur, and the District is to give notice thereof, as soon as practicable, in the same manner, to the same person(s), as notice of such redemption was given as described above. Additionally, any such redemption notice may be rescinded by the District no later than one business day prior to the date specified for redemption, by written notice by the District given in the same manner, to the same person(s), as notice of such redemption was given.

Book-entry-only System

DTC, will act as securities depository for the Bonds. Such DTC Bonds will be issued as fully-registered securities, 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 and deposited with DTC for each Bond bearing the same rate of interest and CUSIP number.

DTC is 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 facilities 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 certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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 or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest 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 accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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).

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 the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 transfers through DTC (or a successor securities depository). In the event, bond certificates will be printed and delivered to DTC.

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

Source: The Depository Trust Company, New York, New York.

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.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS: (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

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, and a replacement book-entry securities depository is not appointed, the following provisions will apply: the Bonds will be issued in registered form in denominations of $5,000, or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the President of the District's Board of Education (the "Board") authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and Laws of the State, including the Local Finance Law and Education Law, and a bond resolution dated June 14, 2016 that was duly adopted by the Board following a vote of the qualified voters of the District on May 17, 2016, authorizing the issuance of obligations of the District in an amount up to $9,875,000 for the financing of the reconstruction, rehabilitation and renovation, in part, and the construction of improvements and upgrades to various District buildings and facilities and the sites thereof. (the "Project").

The proceeds of the Bonds, along with available District funds in the amount of $100,000, will be used to redeem and retire an outstanding bond anticipation note of the District in the amount of $9,875,000 that matures on March 20, 2019.

Security and Source of Payment

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

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 of and interest thereon. For the payment of such principal and interest, the District has power and statutory authorization to levy *ad valorem* taxes on all real property in the District subject to taxation, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York).

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 the State is specifically precluded from restricting the power of the District to levy taxes on real property therefor. However, on June 24, 2011, the then-Governor signed into law Chapter 97 of the 2011 Laws of New York, imposing a limitation upon the District's power to increase its annual tax levy. Chapter 97 provides an express exception from the District's "tax cap" calculation for those taxes to be levied to pay debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or notes. Chapter 97 affects school district tax levies for fiscal years beginning July 1, 2012. See "The Tax Levy Limit Law," herein.

Remedies Upon Default

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

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

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

Under current law, provision is made for contract creditors (including holders of the Bonds) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy. Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes.

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

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

THE DISTRICT

Description

The District, which comprises an area of approximately 31 square miles, has a current estimated population of 25,000, and is located in the south-central portion of the County about 15 miles south of Buffalo. On a valuation basis, the District includes most of the Town of Hamburg (the "Town") and portions of the Towns of Boston, Eden, and Orchard Park and the Village of Hamburg. Portions of the District closest to Buffalo are suburban in character while outlying areas are more rural.

Transportation is provided through the District on routes 20, 75, 62, and 5 and the 219 Expressway from Buffalo to the Southern Tier. Bus service is provided by the Niagara Frontier Transportation Authority on a regular, commuter basis. Major airlines operate from the Buffalo-Niagara International Airport, a 25-minute drive from the District. The New York State Thruway and several railroads also serve the area.

District Organization

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

The legislative power of the District is vested in the seven-member Board. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board. Board members are generally elected for a term of three years.

In early July of each year, the Board meets for the purpose of reorganization. At that time, the Board elects a President and Vice President, and appoints a District Treasurer.

The major administrative officers of the District, whose duty it is to implement the policies of the Board and who are appointed by the Board, include the Superintendent of Schools, the Assistant Superintendent of Administrative Services and Finance and the District Treasurer.

Enrollment History

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

School Year	School Enrollment
2015	3,731
2016	3,586
2017	3,616
2018	3,543
2019	3,535

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

School Year	School Enrollment
2020	3,540
2021	3,540

Source: District Officials.

District Facilities

The District operates six schools and offices; statistics relating to each are shown below.

Name of School	Grades	Date of Construction	Capacity
Hamburg Senior High School	9-12	1955	1,200
Hamburg Middle School	6-8	1963	1,200
Armor Elementary School	K-5	1970	756
Boston Valley Elementary School	K-5	1960	540
Charlotte Avenue Elementary School	Pre-K-5	1952	610
Union Pleasant Elementary School	K-5	1930	1,238

Employees

The collective bargaining agents, if any, which represent employees and the dates of expirations of the various collective bargaining agreements are as follows:

Name of Union	Expiration Date of Contract	Approx. No. of Members
Hamburg Teachers' Association (HTA)	08/31/2023	340
Hamburg Administrative Council (HAC)	06/30/2019	14
Nurses, COTA, CAIDES, Repair Tech	06/30/2021	19
Teacher's Aides	06/30/2019	100
Service Employees Maintenance (SEIU)	06/30/2020	60
Office Employees (Teamsters)	06/30/2022	31
Food Service (SEIU)	06/30/2020	20

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

Year	Town of Hamburg	Erie County	New York State
1990	53,735	968,532	17,990,455
2000	56,259	950,265	18,976,457
2010	56,396	919,040	19,378,102
2017	58,147	923,995	19,798,228

Source: U.S. Bureau of the Census.

Income Data

Income Data is not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Town and the County. The information set forth below with respect to the Town, County and State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the Town, County or State, or vice versa.

	Per Capita Income			
	1990	2000	2010	2017
Town of Hamburg	N/A	$21,943	$28,934	$34,327
County of Erie	13,560	20,357	25,387	31,083
State of New York	16,501	23,389	30,791	35,752

	Median Household Income			
	1990	2000	2010	2017
Town of Hamburg	N/A	$47,888	$59,833	$65,349
County of Erie	28,005	38,567	47,650	54,006
State of New York	39,741	51,691	55,217	62,765

Source: United States Bureau of the Census
Note: Based on American Community Survey 5-Year Estimate (2013-2017)

Major Employers in the District

Name	Type of Business	Approx. No. of Employees
Hamburg Central School District	Education	575
Town of Hamburg	Government	500
Tops Markets[a]	Retail Food	325

a. On February 21, 2018, Tops Markets LLC filed for Chapter 11 bankruptcy protection. A company spokesperson has stated that the stores will remain open with no impact on daily operations. At this time, it is not possible to predict the long-term effects on individual stores.

Unemployment Rate Statistics

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

Annual Averages:	Erie County (%)	New York State (%)	United States (%)
2013	8.5	8.6	8.1
2014	7.5	7.7	7.4
2015	5.4	5.3	5.3
2016	4.8	4.9	4.9
2017	5.1	4.6	4.3
2018	4.5	4.2	3.9

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The 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 period of probable usefulness of the object or purpose determined by statute or the weighted average maturity 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 of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under "Security and Source of Payment," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real property 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 property in any fiscal year to pay principal of and interest on all indebtedness. However, Chapter 97 of the 2011 Laws of New York imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. See "The Tax Levy Limit Law," herein.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedures 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 Board, as the finance board of the District, has the power to enact tax anticipation note resolutions and revenue anticipation note resolutions. Such resolutions may authorize the issuance of tax and revenue anticipation notes in an aggregate principal amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes or revenue anticipation notes, as the case may be, previously issued and less the amount of such taxes or revenues previously received by the District.

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

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

The Board, 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, the Board may delegate to the President of the Board, as the chief fiscal officer of the District, the power to sell the Bonds pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the State Legislature, provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real property of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real property for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of February 27, 2019)

In Town of (2018-2019):[a]	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Hamburg	$722,114,684	50.00	$1,444,229,368
Eden	6,213,223	59.00	10,530,886
Boston	295,857,201	85.00	348,067,295
Orchard Park	95,758,596	50.50	189,620,982
Total			$1,992,448,532
Debt Limit - 10% of Full Valuation			$199,244,853
Inclusions:[b]			
Outstanding Bonds			$35,845,000
Bond Anticipation Notes			9,875,000
Total Indebtedness			45,720,000
Exclusions (Estimated Building Aid)[c]			0
Total Net Indebtedness			45,720,000
Net Debt Contracting Margin			$153,524,853
Percentage of Debt Contracting Margin Exhausted			22.95%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax anticipation notes and revenue anticipation notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on most recent information received by the District from the State Education Department. The District receives approximately 90% in building aid from the State Education Department. The District has chosen not to apply for a building aid exclusion certificate from the Commissioner of Education and is not required to do so. Therefore, the District may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Statement, the District has bond anticipation notes outstanding in the amount of $9,875,000 for District-wide improvements. Such obligations will be redeemed and retired by the issuance of the Bonds along with the payment of other available District funds in the amount of $100,000.

Trend of Outstanding Indebtedness
As of June 30:

	2014	2015	2016	2017	2018
Bonds	$12,885,000	$48,110,000	$42,610,000	$40,365,000	$36,975,000
BANs	38,390,000	0	0	3,000,000	9,875,000
RANs	0	0	0	0	0
Total	$51,275,000	$48,110,000	$42,610,000	$43,365,000	$46,850,000

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$3,465,000	$1,100,175	$4,565,175
2020	3,540,000	1,008,938	4,548,938
2021	3,625,000	902,338	4,527,338
2022	3,720,000	792,838	4,512,838
2023	3,835,000	664,863	4,499,863
2024	2,790,000	563,038	3,353,038
2025	2,870,000	478,144	3,348,144
2026	2,790,000	393,900	3,183,900
2027	2,865,000	310,200	3,175,200
2028	2,960,000	224,250	3,184,250
2029	3,045,000	135,450	3,180,450
2030	1,470,000	44,100	1,514,100
	$36,975,000	$6,618,231	$43,593,231

Revenue and Tax Anticipation Notes

The District has in the past found it necessary to borrow from time to time in anticipation of taxes and revenues, which borrowing was necessitated by the timing of real property tax and State aid revenue payments. The following table presents a history of such tax and revenue anticipation note borrowings for the five most recent fiscal years. The District does not anticipate having to borrow for cash flow purposes in the current fiscal year.

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2014	$2,900,000	RAN	06/21/2013	11/21/2013
2015	0	-	-	-
2016	0	-	-	-
2017	0	-	-	-
2018	0	-	-	-

Authorized and Unissued Debt

On May 17, 2016, the voters of the District approved a proposition authorizing a $9,875,000 Capital Improvements Project. On March 2018, the District financed such amount with the issuance of bond anticipation notes. Such amount will be redeemed and retired by the issuance of the Bonds along with the payment of other available funds in the amount of $100,000.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Erie	10/16/2018	2.83	$10,097,803	$10,015,424
Town of Boston	12/31/2017	53.17	3,038,856	3,038,856
Town of Eden	06/13/2018	1.59	258,773	12,561
Town of Hamburg	06/27/2018	34.05	2,914,680	2,769,968
Town of Orchard Park	07/17/2018	7.40	1,747,880	1,441,150
Village of Hamburg	07/11/2018	100.00	8,653,000	4,364,500
Totals			$26,710,991	$21,642,459

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios
(As of February 27, 2019)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$45,720,000	$1,829	2.29
Net Direct Debt	45,720,000	1,829	2.29
Total Direct & Applicable Total Overlapping Debt	72,430,991	2,897	3.64
Net Direct & Applicable Net Overlapping Debt	67,362,459	2,694	3.38

a. The current population of the District is 25,000.
b. The full valuation of taxable property is $1,992,448,532.

FINANCES OF THE DISTRICT

Independent Audit

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2018. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

The Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

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

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Source: Audited Financials of the District.

Budget Process

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 office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy in a given year (absent a supermajority vote of approval from the District's residents). The proposed budget is then submitted to voter referendum on the third Tuesday of May each year. (See "Tax Levy Limit Law" herein).

On May 15, 2018, a majority of the voters of the District approved the District's budget for the 2018-2019 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2017-2018 and 2018-2019 may be found in Appendix A, hereto.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See *"Tax Information"* herein.

State Aid

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

The following table sets forth the amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2014 through 2018, inclusive, and the amounts budgeted for the 2019 fiscal year.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2014	$59,211,684	$20,192,208	34.10
2015	61,491,288	21,183,763	34.45
2016	64,352,035	22,377,519	34.77
2017	65,534,611	24,943,583	38.06
2018	66,021,307	25,787,417	39.06
2019 (Budget) [a]	70,120,000	25,781,121	36.77

Source: Audited Financial Statements of the District and Adopted Budgets of the District.
a. Budgeted revenues include the application of reserves and fund balance.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2012 to 2018 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State's 2018-2019 Budget was adopted on March 30, 2018, in advance of the April 1 deadline, the State's 2017-2018 Budget was adopted on April 9, 2017, a delay of approximately eight days. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and 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 federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2018-2019 Budget continued authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan repared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Code, most of which became effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget included legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget included legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. The District does not have plans to establish a charitable fund at this time.

The Tax Cuts and Jobs Act also made extensive changes to the deductibility of various taxes, including placing a cap of $10,000 on a taxpayer's deduction of state and local taxes (the "SALT Deduction Limitation"). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

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

Governor Cuomo has stated that the State is facing a large (approximately $2.8 billion) revenue shortfall in its current fiscal year that has rendered the governor's proposed 2019-2020 budget "untenable". There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

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

After further litigation in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

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

In any event, the outcome of these matters will not affect the validity of any obligations issued by the District, including the Bonds, nor the ability of the District to levy taxes on the taxable real property in the District to pay the Notes and the interest thereon as the same shall become due and payable.

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years following the 2008-2009 recession, but has increased in recent years as described below:

School district fiscal year (2013-2014): The State budget included an increase of $936.6 million in State aid for school districts.

School district fiscal year (2014-2015): The State's 2014-2015 budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored $602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested $1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

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

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

School district fiscal year (2017-2018): The State's 2017-2018 budget provided for school aid of approximately $25.8 billion, an increase of $1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were 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's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

School district fiscal year (2018-2019): The State's 2018-2019 budget provides for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

For the 2019-2020 school year, the Executive Budget recommends a total of $27.69 billion for School Aid, a year-to-year funding increase of $956 million or 3.6 percent. The Executive Budget, if adopted, would also provide additional funding for Foundation Aid, including increased set-aside funding for Community Schools. However, Governor Cuomo has stated that the State is facing a large (approximately $2.8 billion) revenue shortfall in its current fiscal year that has rendered his Executive Budget "untenable."

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the GEA. The GEA was a negative number (funds that were deducted from the State aid originally due to the District under State aid formulas). The District's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State's 2016-2017 Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act was passed as part of the State budget. The Smart Schools Bond Act authorized the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $2,117,229.

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 remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "BONDHOLDER RISKS" herein).

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The State Comptroller has reported that certain of the State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 3.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released August 8, 2014. The purpose of such audit was to assess the District's use of capital project resources for the period July 1, 2010 through March 26, 2014. The complete report and the District's response may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension 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% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the then Governor signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee 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 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 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.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS in the wake of the 2008-2009 financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, 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 Annual Required Contribution rates ("ARCs"). ERS followed suit and modified its existing ERS 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.

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 21 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 District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

As of June 30, 2017, SCO is effectively terminated. Each employer who elected to participate in the plan has opted out. Employers who participated in the SCO will resume paying the Employer Contribution Rate ("ECR") as well as any outstanding deferred contributions plus interest.

The following chart represents the District's TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for the 2019 fiscal year.

Fiscal Year Ended June 30:	ERS	TRS
2014	$3,692,349	$1,277,364
2015	4,163,585	1,387,979
2016	3,243,891	1,206,276
2017	3,268,985	1,085,346
2018	3,016,758	1,110,579
2019 (Budgeted)	2,668,133	1,078,826

Source: Audited Financial Statements.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative 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.

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

In June 2015, GASB issued GASB Statement 75, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District implemented GASB 75 for fiscal years beginning after June 30, 2017. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The District's total OPEB liability on June 30, 2018 was as follows:

Changes in Total OPEB Liability	Fiscal Year Ending June 30, 2018:
Total OPEB liability as of July 1, 2017	$4,888,674
Changes for the year:	
Service Cost	179,347
Interest	185,695
Differences between actual and expected experience	(18,800)
Changes of assumptions or other inputs	79,177
Benefit payments	(181,315)
Total Changes	$244,104
Total OPEB liability as of June 30, 2018	$5,132,778

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to 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. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an *ad valorem* real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations. (However, see "*The Tax Levy Limit Law*" herein).

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2014 through 2018 and the budgeted amount for 2019.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2014	$59,211,684	$28,532,042	48.19
2015	61,491,288	29,820,480	48.50
2016	64,352,035	31,736,144	49.32
2017	65,534,611	30,302,536	46.24
2018	66,021,307	30,236,737	45.80
2019 (Budgeted)	70,120,000	36,971,029	52.73

Tax Collection Procedure

Real property taxes for school purposes are levied by the District but are collected by the Town on behalf of the District. Such taxes may be paid without penalty on or before October 15. Delinquent school tax payments are assessed penalties in accordance with an ascending scale which starts at 7.5% if paid between October 16 and October 31 and 9% if paid between November 1 and December 2.

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

The County has the power to enforce the collection of real property taxes and to issue and sell tax anticipation notes in order to finance any uncollected taxes returned to the District.

The Tax Levy Limit Law

Chapter 97 of the 2011 Laws of New York, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts are permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

The State 2017-18 budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

Rebate Program

Chapter 20 of the 2015 Laws of the State ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received $130, and eligible taxpayers who resided outside the MCTD received $185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limit Law. However, for many taxpayers (other than those living in one of the "Big 4" cities) only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limit Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limit Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limit Law.

While the provisions of Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 20 does provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limit Law.

Valuations, Rates Levies and Collections

A summary of Valuations, Rates and Levies is contained in Appendix A.

Selected Listing of Large Taxable Properties
2018-2019 Assessment Roll

Name	Type	Full Valuation
National Fuel Gas Supply	Utility	$12,446,138
Benderson & Related Companies	Retail	9,132,500
NYS Electric & Gas	Utility	7,589,632
Hamburg Apartment Group	Apartments	6,845,900
Hamburg Hotel LLC	Retail	6,675,900
Sunset Court, LLC	Apartments	4,810,000
5775 Maelou Drive, LLC	Medical	4,770,000
Liberatore, Victor, & Victor Jr.	Various	4,584,300
Verizon	Utility	3,717,406
76 Buffalo Street, LLC	Assisted Living	3,300,000
	Total [a]	$63,871,776

a. Represents 3.21% of the total full valuation of the District for 2017-2018.
Source: Town Assessment Rolls.

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. To mitigate such risk the District has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. In addition, the District maintains an insurance policy covering cyber liability. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial. The District has invested in school cyber insurance to mitigate liability and the cost of remedy, should a cyber attack occur.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its law firm(s), unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

BONDHOLDER RISKS

There are various forms of risk associated with investing in the Bonds. Although none of such risks have recently occurred with respect to the District or the Bonds, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the District will be unable to promptly pay interest and principal on the Bonds as they become due (see "Remedies Upon Default", herein). If a Bondholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could increase the risk of investing in the Bonds. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

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

A deterioration of District finances could cause the credit rating of the District or is obligations to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by a rating agency. Any of such actions on the part of a rating agency could have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

If and when a holder of any of the Bonds should elect to sell a Bond 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. 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 will decline, causing the Bondholder to incur a capital loss upon the sale of such Bond (unless such Bond is held to maturity).

Amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the District. While it is impossible to predict at this time what, if any, legislation will be proposed or enacted, any such future legislation could have an adverse effect on the market value of the Bonds (See "Tax Exemption" herein).

TAX EXEMPTION

The Bonds

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

Tax Requirements

In rendering the foregoing opinions, Bond Counsel will note that the exclusion of the interest on the Bonds from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Code sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Hodgson Russ LLP, the tax certificate that will be executed and delivered by the District in connection with the issuance of the Bonds (the “Certificate”) establishes requirements and procedures, compliance with which will satisfy the Tax Requirements.

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

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

b. The requirements contained in Code section 148 relating to arbitrage bonds; and

c. The requirements that payment of principal or interest on the Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code section 149(b).

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

Bank Qualified

The Bonds will be deemed designated and will be treated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

Other Impacts

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

Information Reporting and Backup Withholding

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

Future Legislation

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

Legal Matters and the Tax Levy Limit Law

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of the law firm of Hodgson Russ LLP, which will be available at the time of delivery of the Bonds. Such opinion will be to the effect that the Bonds are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* real estate taxes to pay the Bonds and interest thereon, subject to certain limitations imposed by the Tax Levy Limit Law. See "Tax Levy Limit Law," herein. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Miscellaneous

As discussed above, legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax Status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

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

DISCLOSURE UNDERTAKING

In accordance with Securities and Exchange Commission Rule 15c2-12, at the time of the delivery of the Bonds, the District will provide an executed copy of its "Disclosure Undertaking" (the "Undertaking"). Unless the Bonds are purchase for the buyer's own account as principal for investment and not for resale, at the time of delivery of the Bonds, the District will provide an executed copy of its Disclosure Undertaking (the "Undertaking"). The Undertaking will constitute a written agreement or contract of the District for the benefit of the holders and owners of beneficial interests in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

(1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-reference in this Official Statement under the headings: "The District", "Economic and Demographic Information", "Indebtedness of the District", "Finances of the District", "Tax Information" and "Litigation"; and in Appendix A for the preceding fiscal year no later than nine (9) months following the end of the succeeding fiscal year, commencing with the fiscal ending June 30, 2019, and (ii) the audited financial statements, if any, of the District for the preceding fiscal year no later than nine (9) months following the end of the succeeding fiscal year, commencing with the fiscal year ending June 30, 2019; provided, however, that if audited financial statements are not then available, the unaudited financial statements shall be provided, and the audited financial statements shall be provided within ninety (90) days after they become available and in no event later than one (1) year after the end of each fiscal year;

(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) non-payment 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 the 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; [note to clause (xii) [For the purposes of the event identified in clause (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 reorganizations, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business 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; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if any; 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.

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 material event except those events listed above; and

(3) in a timely manner, notice of failure to provide the annual financial information 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 Rule 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 Undertakings under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

RATING

The District has applied to Standard & Poor's Corporation ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds. The rating will reflect only the view of S&P, and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the District: Hamburg Central School District, Administration Building, 5305 Abbott Road, Hamburg, New York 14075, telephone number 716/646-3200 or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. 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. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. 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. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

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

Hodgson Russ LLP, of Buffalo, 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 the financial or statistical information in this Official Statement and the appendices hereto.

The preparation and distribution of this Official Statement has been authorized by a resolution of the District which delegates to the President of the Board the power to sell and issue the Bonds.

By: s/s Thomas Flynn, III
President of the Board of Education
Hamburg Central School District
Hamburg, New York

March , 2019

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

	2014	2015	2016	2017	2018
Revenues:					
Real Property Taxes	$ 28,532,042	$ 29,820,480	$ 31,755,803	$ 30,302,536	$ 30,236,737
Other Real Property Tax Items	5,206,428	5,348,631	5,453,713	5,254,121	5,011,065
Non-Property Tax Items	3,863,934	3,927,795	3,927,639	3,892,110	4,050,226
Charges for Services	409,892	473,447	334,492	365,250	370,601
Use of Money and Property	61,672	56,853	58,668	54,023	52,360
Sale of Prop. & Comp. for Loss	29,579	40,996	43,210	15,641	39,943
Miscellaneous	414,120	362,540	265,065	490,021	304,867
Interfund Revenues	2,979	12,206	8,746		
State Sources	20,192,208	21,183,763	22,377,519	24,943,583	25,787,417
Federal Sources	498,830	264,577	127,180	217,326	168,091
Total Revenues	59,211,684	61,491,288	64,352,035	65,534,611	66,021,307
Expenditures:					
General Support	5,853,301	6,060,813	6,203,851	6,481,891	5,970,829
Instruction	31,494,322	32,877,677	34,492,919	35,752,790	38,221,691
Pupil Transportation	4,023,198	3,736,330	3,784,852	3,899,565	4,761,999
Employee Benefits	13,363,958	14,279,581	13,829,625	13,225,687	13,465,783
Debt Service	3,496,925	3,706,501	5,566,411	4,568,338	4,632,075
Total Expenditures	$ 58,231,704	$ 60,660,902	$ 63,877,658	$ 63,928,271	$ 67,052,377
Excess (Deficit) Revenues Over Expenditures	979,980	830,386	474,377	1,606,340	(1,031,070)
Other Financing Sources (Uses)					
Operating Transfers	(71,301)	(119,836)	(120,286)	(102,683)	779,446
Total Other Financing Sources (Uses)					
Excess (Deficit)of Revenues and Other Sources Sources (Uses) Over Expenditures	908,679	710,550	354,091	1,503,657	(251,624)
Fund Balance Beginning of Fiscal Year	3,971,262	4,879,941	5,590,491	5,944,582	7,448,239
Fund Balance End of Fiscal Year	$ 4,879,941	$ 5,590,491	$ 5,944,582	$ 7,448,239	$ 7,196,615

Source: Audited Annual Financial Reports of the District.
NOTE: This schedule NOT audited

Balance Sheet - General Fund

Fiscal Year Ended June 30:

	2017	2018
ASSETS:		
Cash	$ 8,553,372	$ 7,473,776
Account Receivable		
State and Federal Aid	809,748	736,601
Due From Other Funds	449,737	346,286
Due From Other Governments	2,554,652	2,817,353
Total	$ 12,367,509	$ 11,374,016
LIABILITIES:		
Accounts Payable	$ 341,485	$ 812,480
Accrued Liabilities	1,209,827	360,568
Due to Other Funds		
Due to Retirement Systems	3,367,958	3,004,353
Total Liabilities	4,919,270	4,177,401
FUND EQUITY:		
Fund Balances:		
Reserved for Unemployement	$ 275,228	$ 275,393
Reserved for Retirement Contributions	794,209	794,637
Capital Projects	975,120	975,594
Repair	350,071	350,244
Assigned:		
Undesignated		
Other Purposes	656,947	
Designated for Subsequent Year	1,725,000	2,500,000
Unassigned	2,671,664	2,300,747
Total Fund Equity	7,448,239	7,196,615
Total Liabilities and Fund Equity	$ 12,367,509	$ 11,374,016

Source: Audited Annual Financial Report of the School District.

Budget Summaries

	2017-18	2018-19
Expenditures:		
General Support	$ 6,707,875	$ 6,641,925
Instruction	37,575,072	38,652,489
Capital	23,512,553	24,825,586
Total	$ 67,795,500	$ 70,120,000
Revenues:		
Real Property Taxes	$ 34,946,164	$ 36,971,029
State Aid	25,709,664	25,781,121
County Sales Tax	3,650,000	3,775,000
Appropriation of Fund Balance	1,725,000	2,500,000
Miscellaneous Items	1,764,672	1,092,850
Total	$ 67,795,500	$ 70,120,000

*Note: the 2017-18 and the 2018-19 Budgets of the District were approved by the voters on May 16, 2017 and May 15, 2018, respectively.

ASSESSED AND FULL VALUATIONS, TAX RATES AND LEVIES

	Fiscal Year Ending June 30:				
	2015	2016	2017	2018	2019
Assessed Valuation:					
Town of:					
Hamburg	$ 715,069,396	$ 711,949,764	$ 704,916,814	$ 711,718,023	$ 722,114,684
Boston	290,364,631	291,482,221	292,316,402	294,247,186	295,857,201
Eden	6,054,432	6,052,870	5,913,308	5,979,000	6,213,223
Orchard Park	95,908,749	95,846,861	95,193,544	95,602,602	95,758,596
Total Assessed Valuation	$ 1,107,397,208	$ 1,105,331,716	$ 1,098,340,068	$ 1,107,546,811	$ 1,119,943,704
Equalization Rates:					
Town of:					
Hamburg	56.60%	54.50%	53.00%	52.00%	50.00%
Boston	99.00%	92.00%	92.00%	87.00%	85.00%
Eden	64.00%	64.00%	64.00%	63.00%	59.00%
Orchard Park	57.00%	55.00%	53.50%	52.00%	50.50%
Full Valuation:					
Town of:					
Hamburg	$ 1,263,373,491	$ 1,306,329,842	$ 1,330,031,725	$ 1,368,688,506	$ 1,444,229,368
Boston	293,297,607	316,828,501	317,735,220	338,215,156	348,067,295
Eden	9,460,050	9,457,609	9,239,544	9,490,476	10,530,886
Orchard Park	168,260,963	174,267,020	177,931,858	183,851,158	189,620,982
Total Full Valuation	$ 1,734,392,111	$ 1,806,882,973	$ 1,834,938,346	$ 1,900,245,296	$ 1,992,448,532
Tax Rates Per $1000					
Town of:					
Hamburg	$ 35.59	$ 37.55	$ 36.32	$ 35.37	$ 36.85
Boston	20.35	22.24	20.93	21.14	21.13
Eden	31.47	31.97	30.08	29.19	31.22
Orchard Park	35.34	37.21	35.98	35.37	35.36

HAMBURG CENTRAL SCHOOL DISTRICT

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

HAMBURG CENTRAL SCHOOL DISTRICT

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June 30, 2018

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS
Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
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INDEPENDENT AUDITORS' REPORT

The Board of Education
Hamburg Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Hamburg Central School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and budgetary comparison for the general fund 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 management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

October 9, 2018

Hamburg Central School District
Management's Discussion and Analysis
June 30, 2018
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Hamburg Central School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2018. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position	2018	2017	Change $	Change %
Current assets	$ 18,913,000	$ 16,576,000	$ 2,337,000	14.1%
Net pension asset	1,206,000	-	1,206,000	100.0%
Capital assets	58,844,000	58,479,000	365,000	0.6%
Total assets	78,963,000	75,055,000	3,908,000	5.2%
Deferred outflows of resources	18,730,000	18,365,000	365,000	2.0%
Long-term liabilities	47,439,000	53,438,000	(5,999,000)	-11.2%
Other liabilities	14,426,000	8,415,000	6,011,000	71.4%
Total liabilities	61,865,000	61,853,000	12,000	0.0%
Deferred inflows of resources	6,149,000	1,165,000	4,984,000	427.8%
Net position				
Net investment in capital assets	18,039,000	16,808,000	1,231,000	7.3%
Restricted	3,454,000	4,249,000	(795,000)	-18.7%
Unrestricted	8,186,000	9,345,000	(1,159,000)	-12.4%
Total net position	$ 29,679,000	$ 30,402,000	$ (723,000)	-2.4%

Net position at June 30, 2018 and 2017 was $29,679,000 and $30,402,000, respectively. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment less any outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by laws and regulations and include the retirement contribution reserve, restricted to fund contributions paid by the District to the New York State and Local Employees' Retirement System (ERS); the debt service reserve, which is set aside for the repayment of bonds issued to finance capital projects; and the capital reserve, which is dedicated for future renovations as approved by the District's voters. Other restricted resources include an unemployment insurance reserve and a repair reserve.

Total assets increased by $3,908,000 ($13,665,000 decrease in 2017) primarily as a result of an increase in cash balances due to unspent proceeds on bond anticipation notes (BANs). The District also recognized a net pension asset caused by investment earnings on pension assets that were greater than expected, offset by a change in actuarial assumptions by the New York State Teacher's Retirement System (TRS). In 2017, the District's proportionate share of the net pension position resulted in a liability of $1,671,000 compared to an asset of $1,206,000 in 2018.

Long-term liabilities decreased by $5,999,000 (increase of $1,390,000 in 2017) due to principal payments of $3,390,000 on outstanding bonds. Additionally, the decrease is due to a decrease in the net pension liability of $3,104,000, caused partly by the TRS net pension asset as noted above. Other liabilities increased $6,011,000 (increase of $3,006,000 in 2017) due to the issuance of BANs totaling $9,875,000, which was used to refinance the $3,000,000 outstanding BAN from 2017 and for project costs.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which is required to be reflected in the District's financial statements. Deferred outflows of resources include contributions required to be paid by the District to the State pension systems after the measurement date, and as such are not included in the current net position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions. Also included in deferred outflows and deferred inflows of resources are differences between expected and actual experience and changes of assumptions related to the District's total OPEB liability.

Condensed Statement of Activities	2018	2017	Change $	Change %
Revenues				
Program revenues				
Charges for services	$ 941,000	$ 926,000	$ 15,000	1.6%
Operating grants and contributions	2,763,000	2,838,000	(75,000)	-2.6%
General revenues				
Real property taxes	35,248,000	35,557,000	(309,000)	-0.9%
Sales taxes	4,050,000	3,892,000	158,000	4.1%
State aid	25,787,000	24,944,000	843,000	3.4%
Other	458,000	540,000	(82,000)	-15.2%
Total revenue	69,247,000	68,697,000	550,000	0.8%
Expenses				
Instruction	55,540,000	52,311,000	3,229,000	6.2%
Support services				
General support	7,283,000	7,833,000	(550,000)	-7.0%
Pupil transportation	4,937,000	4,046,000	891,000	22.0%
Food service	970,000	967,000	3,000	0.3%
Interest	1,240,000	1,205,000	35,000	2.9%
Total expenses	69,970,000	66,362,000	3,608,000	5.4%
Change in net position	(723,000)	2,335,000	(3,058,000)	-131.0%
Net position - beginning	30,402,000	28,067,000	2,335,000	8.3%
Net position - ending	$ 29,679,000	$ 30,402,000	$ (723,000)	-2.4%

District revenues increased $550,000 in 2018 ($1,199,000 or 1.8% increase in 2017). An increase in state aid of $843,000 ($2,566,000 or 11.5% increase in 2017) was due to an increase in building aid of $400,000 as well as an increase in general funding from the State. Real property taxes decreased $309,000 ($1,652,000 or 4.4% decrease in 2017) due to a decrease in the tax levy. This decrease was attainable because additional state aid was sufficient to fund budgeted spending increases for 2018.

Total expenses increased $3,608,000 in 2018 ($5,471,000 or 9.0% increase in 2017). District-wide salaries increased $2,099,000 or 6.3% due to contractual increases and additional employees. Employee benefits increased $655,000 due to an increase in health insurance premiums and an increase in the estimate of sick and vacation time benefits earned. An $891,000 increase in pupil transportation services was due to a new bus contract which was more expensive than the contract from prior years.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds decreased from $8,401,000 to $4,767,000 as described below:

- Revenues of $69,253,000 fell short of expenditures of $72,888,000, resulting in the decrease of $3,635,000 in fund balance.
- Total fund revenue increased $557,000 or 0.8% ($1,181,000 or 1.7% increase in 2017) and total fund expenditures increased $4,470,000 or 6.5% ($592,000 increase in 2017). Revenues increased due to an increase in state aid, partially offset by a decrease in real property taxes as previously mentioned. Expenditures increased due to the increase in salaries and the change in the District's bus contract as discussed above. Additionally, capital outlay expenditures increased $1,310,000 related to the ongoing capital project.
- Fund balance decreased $2,567,000 in the capital projects fund ($2,375,000 decrease in 2017) due to expenditures of $2,567,000 for the District's capital projects. The deficit fund balance of $3,578,000 will be eliminated when BANs are converted to permanent financing and bond proceeds are recognized.
- School lunch fund expenditures from operations exceeded revenues by $45,000 during 2018. This shortfall was offset by a $25,000 transfer from the general fund to help support school lunch fund operations.

General Fund Budgetary Highlights

The revenue budget for 2018 was $65,356,000 while actual revenues were $66,021,000, a favorable difference of $665,000 or 1%. The difference is attributable to more sales tax and state aid than expected.

Actual expenditures and carryover encumbrances were less than the final amended budget by $1,272,000 or 1.9%. This difference is attributable to many factors and many unknown items when the budget is prepared. Significant positive variances between budgeted and actual expenditures occurred in employee benefits, teaching – regular school, and central services.

Capital Assets

	2018	2017
Land	$ 205,000	$ 205,000
Construction in progress	1,866,000	1,011,000
Buildings and improvements	90,126,000	88,434,000
Furniture and equipment	2,534,000	2,398,000
Vehicles	437,000	406,000
	95,168,000	92,454,000
Accumulated depreciation	(36,324,000)	(33,975,000)
	$ 58,844,000	$ 58,479,000

The increase in capital assets in the current year is a result of current year additions of $2,758,000 offset by depreciation expense and disposals of $2,393,000.

Debt

At June 30, 2018, the District had $36,975,000 in bonds outstanding, with $3,465,000 due within one year ($40,365,000 outstanding at June 30, 2017). Outstanding compensated absences payable were $4,314,000, with $763,000 expected to be paid within the following year ($4,021,000 outstanding at June 30, 2017).

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

School districts in New York State are impacted by the political pressures imposed on elected officials in funding of education. Year to year changes in funding levels and State aid formulas complicate the planning process for schools.

The District will continue to mitigate the impact of rising costs of education on the overall budget, including using reserve funds as permitted by law to lessen their budgetary impact. The property tax levy cap further emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures. These issues and concerns require management to plan carefully and prudently to provide the educational resources necessary to meet student needs.

Contacting the District's Financial Management

This financial report is designed to provide District residents, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. For more detailed information, questions may be directed to Barbara Sporyz, Assistant Superintendent of Administrative Services, Hamburg Central School District, 5305 Abbott Road, Hamburg, New York 14075.

Statement of Net Position

June 30, 2018
(With comparative totals as of June 30, 2017)

	2018	2017
Assets		
Cash	$ 14,952,244	$ 12,707,613
Due from other governments	2,817,353	2,554,652
Accounts, state, and federal aid receivable	1,083,075	1,234,929
Inventory	60,389	78,802
Net pension asset	1,205,688	-
Capital assets (Note 5)	95,167,908	92,454,329
Accumulated depreciation	(36,323,697)	(33,975,657)
Total assets	78,962,960	75,054,668
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	18,491,108	18,164,847
Deferred outflows of resources related to OPEB	238,959	200,414
Total deferred outflows of resources	18,730,067	18,365,261
Liabilities		
Accounts payable	886,653	580,696
Accrued liabilities	660,348	1,466,176
Due to retirement systems	3,004,353	3,367,958
Bond anticipation notes	9,875,000	3,000,000
Long-term liabilities		
Due within one year:		
Bonds	3,465,000	3,390,000
Compensated absences	763,000	684,000
Due beyond one year:		
Bonds and related premiums	33,762,553	37,269,649
Compensated absences	3,551,000	3,337,000
Net pension liability	764,569	3,868,531
Total OPEB liability	5,132,778	4,888,674
Total liabilities	61,865,254	61,852,684
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	5,994,670	1,008,667
Deferred inflows of resources related to OPEB	154,247	156,702
Total deferred inflows of resources	6,148,917	1,165,369
Net Position		
Net investment in capital assets	18,038,662	16,807,761
Restricted	3,454,097	4,248,730
Unrestricted	8,186,097	9,345,385
Total net position	$ 29,678,856	$ 30,401,876

See accompanying notes.

Statement of Activities

For the year ended June 30, 2018
(With summarized comparative totals for June 30, 2017)

		Program Revenues		Net (Expense) Revenue	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**2018**	2017
Governmental activities					
General support	$ 7,282,955	$ 45,425	$ -	$ (7,237,530)	$ (7,786,627)
Instruction	55,540,334	370,601	2,360,460	(52,809,273)	(49,538,067)
Pupil transportation	4,936,989	-	-	(4,936,989)	(4,045,726)
Interest expense	1,239,979	-	-	(1,239,979)	(1,205,242)
School food service	970,252	524,895	402,969	(42,388)	(22,500)
	$ 69,970,509	$ 940,921	$ 2,763,429	(66,266,159)	(62,598,162)
General revenues					
Real property taxes				35,247,802	35,556,657
Sales tax				4,050,226	3,892,110
Miscellaneous				457,694	540,082
State aid				25,787,417	24,943,583
Total general revenues				65,543,139	64,932,432
Change in net position				(723,020)	2,334,270
Net position - beginning				30,401,876	28,067,606
Net position - ending				$ 29,678,856	$ 30,401,876

See accompanying notes.

Balance Sheet - Governmental Funds

June 30, 2018
(With summarized comparative totals as of June 30, 2017)

	General	Capital Projects	Debt Service	Special Aid	School Lunch	Total Governmental Funds 2018	Total Governmental Funds 2017
Assets							
Cash	$ 7,473,776	$ 6,479,201	$ 924,389	$ -	$ 74,878	$14,952,244	$12,707,613
Due from other governments	2,817,353	-	-	-	-	2,817,353	2,554,652
Accounts, state, and federal aid receivable	736,601	-	-	329,226	17,248	1,083,075	1,234,929
Due from other funds, net	346,286	-	133,840	-	-	480,126	475,415
Inventory	-	-	-	-	60,389	60,389	78,802
Total assets	$ 11,374,016	$ 6,479,201	$ 1,058,229	$ 329,226	$ 152,515	$19,393,187	$17,051,411
Liabilities and Fund Balances							
Accounts payable	$ 812,480	$ 73,258	$ -	$ -	$ 915	$ 886,653	$ 580,696
Accrued liabilities	360,568	-	-	-	19,780	380,348	1,226,176
Due to retirement systems	3,004,353	-	-	-	-	3,004,353	3,367,958
Due to other funds, net	-	108,939	-	329,226	41,961	480,126	475,415
Bond anticipation notes	-	9,875,000	-	-	-	9,875,000	3,000,000
Total liabilities	4,177,401	10,057,197	-	329,226	62,656	14,626,480	8,650,245
Fund Balances							
Nonspendable:							
Inventory	-	-	-	-	60,389	60,389	78,802
Restricted:							
Unemployment insurance	275,393	-	-	-	-	275,393	275,228
Capital	975,594	-	-	-	-	975,594	975,120
Debt service	-	-	1,058,229	-	-	1,058,229	1,854,102
Retirement contribution	794,637	-	-	-	-	794,637	794,209
Repair	350,244	-	-	-	-	350,244	350,071
Assigned:							
Designated for subsequent year's expenditures	2,500,000	-	-	-	-	2,500,000	1,725,000
Other purposes	-	-	-	-	29,470	29,470	688,232
Unassigned	2,300,747	(3,577,996)	-	-	-	(1,277,249)	1,660,402
Total fund balances (deficit)	7,196,615	(3,577,996)	1,058,229	-	89,859	4,766,707	8,401,166
Total liabilities and fund balances	$ 11,374,016	$ 6,479,201	$ 1,058,229	$ 329,226	$ 152,515	$19,393,187	$17,051,411

See accompanying notes.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Total fund balances - governmental funds		$ 4,766,707
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		58,844,211
The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension asset	1,205,688	
Deferred outflows of resources related to pensions	18,491,108	
Net pension liability	(764,569)	
Deferred inflows of resources related to pensions	(5,994,670)	12,937,557
The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Deferred outflows of resources related to OPEB	238,959	
Total OPEB liability	(5,132,778)	
Deferred inflows of resources related to OPEB	(154,247)	(5,048,066)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds and related premiums	(37,227,553)	
Accrued interest	(280,000)	
Compensated absences	(4,314,000)	(41,821,553)
Net position - governmental activities		$ 29,678,856

See accompanying notes.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2018
(With summarized comparative totals for June 30, 2017)

	General	Capital Projects	Debt Service	Special Aid	School Lunch	Total Governmental Funds 2018	Total Governmental Funds 2017
Revenues							
Real property taxes	$30,236,737	$ -	$ -	$ -	$ -	$ 30,236,737	$ 30,302,536
Real property tax items	5,011,065	-	-	-	-	5,011,065	5,254,121
Nonproperty taxes	4,050,226	-	-	-	-	4,050,226	3,892,110
Charges for services	370,601	-	-	-	-	370,601	365,250
Use of money and property	52,360	-	111,920	-	28	164,308	80,574
Sale of property and compensation for loss	39,943	-	-	-	-	39,943	15,641
Miscellaneous	304,867	-	-	-	2,447	307,314	505,743
State sources	25,787,417	-	-	964,736	16,177	26,768,330	25,892,190
Federal sources	168,091	-	-	1,227,633	386,764	1,782,488	1,874,642
Sales	-	-	-	-	522,448	522,448	513,659
Total revenues	66,021,307	-	111,920	2,192,369	927,864	69,253,460	68,696,466
Expenditures							
General support	5,970,829	-	-	-	475,011	6,445,840	6,942,065
Instruction	38,221,691	-	-	1,949,928	-	40,171,619	37,697,684
Pupil transportation	4,761,999	-	-	152,091	-	4,914,090	3,995,449
Employee benefits	13,465,783	-	-	193,697	122,151	13,781,631	13,558,128
Debt service							
Principal	3,390,000	-	-	-	-	3,390,000	3,325,000
Interest	1,242,075	-	-	-	-	1,242,075	1,243,338
Cost of sales	-	-	-	-	373,090	373,090	396,639
Capital outlay	-	2,566,734	-	-	2,840	2,569,574	1,259,186
Total expenditures	67,052,377	2,566,734	-	2,295,716	973,092	72,887,919	68,417,489
Excess revenues (expenditures)	(1,031,070)	(2,566,734)	111,920	(103,347)	(45,228)	(3,634,459)	278,977
Other financing sources (uses)							
Operating transfers, net	779,446	-	(907,793)	103,347	25,000	-	-
Net change in fund balances	(251,624)	(2,566,734)	(795,873)	-	(20,228)	(3,634,459)	278,977
Fund balances (deficit) - beginning	7,448,239	(1,011,262)	1,854,102	-	110,087	8,401,166	8,122,189
Fund balances (deficit) - ending	$ 7,196,615	$ (3,577,996)	$ 1,058,229	$ -	$ 89,859	$ 4,766,707	$ 8,401,166

See accompanying notes.

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2018

Total net change in fund balances - governmental funds		$ (3,634,459)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation and disposals.		365,539
Pension expense is recognized when paid on the fund statements of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2018 TRS and ERS contributions	3,741,509	
2018 ERS accrued contribution	336,220	
2017 ERS accrued contribution	(351,200)	
2018 TRS pension expense	(2,992,626)	
2018 ERS pension expense	(1,083,995)	(350,092)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.		(203,104)
Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.		3,390,000
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Interest	(40,000)	
Compensated absences	(293,000)	
Amortization of bond premiums	42,096	(290,904)
Change in net position - governmental activities		$ (723,020)

See accompanying notes.

HAMBURG CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual - General Fund

For the year ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	$ 30,128,044	$ 30,128,044	$ 30,236,737		$ 108,693
Real property tax items	4,990,120	4,990,120	5,011,065		20,945
Nonproperty taxes	3,650,000	3,650,000	4,050,226		400,226
Charges for services	341,100	341,100	370,601		29,501
Use of money and property	46,500	46,500	52,360		5,860
Sale of property and compensation for loss	26,000	26,000	39,943		13,943
Miscellaneous	364,072	364,072	304,867		(59,205)
State sources	25,709,664	25,709,664	25,787,417		77,753
Federal sources	100,000	100,000	168,091		68,091
Total revenues	65,355,500	65,355,500	66,021,307		665,807
Expenditures					
General support					
Board of education	36,655	15,513	10,011	-	(5,502)
Central administration	239,875	249,108	238,952	-	(10,156)
Finance	423,605	422,652	402,229	-	(20,423)
Staff	574,787	369,956	322,322	-	(47,634)
Central services	5,054,301	4,644,358	4,446,909	-	(197,449)
Special items	613,750	564,421	550,406	-	(14,015)
Instruction					
Instruction, administration, and improvement	2,574,618	2,499,262	2,413,974	-	(85,288)
Teaching - regular school	19,952,864	20,262,463	20,091,946	-	(170,517)
Programs for students with handicapping conditions	10,080,781	10,790,683	10,716,261	-	(74,422)
Occupational education	1,174,579	1,121,237	1,111,508	-	(9,729)
Teaching - special schools	60,640	60,640	33,381	-	(27,259)
Instructional media	1,390,004	1,340,582	1,313,488	-	(27,094)
Pupil services	2,660,412	2,606,568	2,541,133	-	(65,435)
Pupil transportation	4,728,670	4,884,666	4,761,999	-	(122,667)
Employee benefits	14,177,331	13,867,416	13,465,783	-	(401,633)
Debt service					
Principal	3,390,000	3,390,000	3,390,000	-	-
Interest	1,234,575	1,234,575	1,242,075	-	7,500
Total expenditures	68,367,447	68,324,100	67,052,377	-	(1,271,723)
Excess revenues (expenditures)	(3,011,947)	(2,968,600)	(1,031,070)	-	1,937,530
Other financing sources (uses)					
Operating transfers in	465,000	465,000	907,793		442,793
Operating transfers out	(85,000)	(128,347)	(128,347)		-
Appropriated fund balance, reserves, and carryover encumbrances	2,631,947	2,631,947	-		(2,631,947)
Total other financing sources (uses)	3,011,947	2,968,600	779,446		(2,189,154)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	$ (251,624)	$ -	$ (251,624)

See accompanying notes.

HAMBURG CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2018

	Private-Purpose Trusts	Agency
Assets		
Cash	$ 11,437	$ 919,858
Liabilities		
Extraclassroom activities balances	-	$ 194,597
Agency liabilities	-	725,261
Total liabilities	-	$ 919,858
Net Position		
Restricted for scholarships	$ 11,437	

* * *

HAMBURG CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2018

	Private-Purpose Trusts
Additions	
Gifts and donations	$ 44,070
Deductions	
Scholarship awards and other expenses	63,796
Change in net position	(19,726)
Net position - beginning	31,163
Net position - ending	$ 11,437

See accompanying notes.

1. Summary of Significant Accounting Policies

Reporting Entity

Hamburg Central School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

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

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

During the year ended June 30, 2018, the District was billed $6,139,000 for BOCES administrative and program costs and recognized revenue of $263,000 as a refund from prior year expenditures paid to BOCES and $45,000 in rental income from BOCES. Audited financial statements are available from BOCES' administrative offices.

Public Entity Risk Pools

The District participates in the NY44 Health Benefits Plan Trust and the Erie #2 Area Schools Self-Funded Workers' Compensation Consortium, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 10.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources - other than expendable trusts or major capital projects - such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

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

Governmental funds 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 they are collected within ninety days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2018, the tax lien was issued on August 8, 2017 for collection from September 1, 2017 through November 30, 2017. Thereafter, uncollected amounts became the responsibility of Erie County and were submitted to the District by April 1st of the following year as required by law.

The District is subject to tax abatements granted by the Town of Hamburg Industrial Development Agency (THIDA), a public benefit corporation created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through THIDA, companies promise to expand or maintain facilities or employment within the Town of Hamburg (the Town), to establish a new business within the Town, or to relocate an existing business to the Town. Economic development agreements entered into by THIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, these abatements have resulted in reductions of property taxes, which the District administers as temporary reductions in the assessed value of the property involved. The abatement stipulates a percentage reduction of property taxes, which can be as much as 100%.

For the year ended June 30, 2018, the District's taxes were abated $126,000 under these agreements. However, because the abated amounts are spread across the District's entire tax base, there is no impact on the overall property taxes collected.

Budget Process, Amendments, and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2017 was approved by a majority of the voters in a general election held on May 16, 2017.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Inventory

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisal. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Buildings and improvements	$ 1,000	20-40 years
Furniture and equipment	$ 1,000	6-20 years
Vehides	$ 1,000	5-15 years

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Pensions

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the District recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Capital* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. During 2016, voters approved the establishment of a capital reserve totaling $10,000,000, which has been funded to $975,000.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Retirement contribution* – is used to finance retirement contributions payable to ERS.
- *Repair* – is used to accumulate funds to finance costs of major repairs to capital improvements which are not ordinary in nature and is subject to a public hearing prior to its use.

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

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

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Stewardship and Compliance

The capital projects deficit fund balance of $3,577,996 will be funded when bond anticipation notes are converted to permanent financing.

3. Cash

Cash management is governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the 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.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2018, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the District's name.

4. Interfund Transactions – Fund Financial Statements

			Transfers	
Fund	**Receivable**	**Payable**	**In**	**Out**
General	$ 371,187	$ 24,901	$ 907,793	$ 128,347
Capital projects	-	108,939	-	-
Debt service	133,840	-	-	907,793
Special aid	-	329,226	103,347	-
School lunch	-	41,961	25,000	-
	$ 505,027	**$ 505,027**	**$ 1,036,140**	**$ 1,036,140**

The general fund provides cash flow to the various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the school lunch fund to provide operating cash flows. The transfer from the debt service fund to the general fund represents a use of debt service reserves towards principal and interest payments.

5. Capital Assets

	July 1, 2017	Increases	Retirements/ Reclassifications	June 30, 2018
Non-depreciable capital assets:				
Land	$ 205,054	$ -	$ -	$ 205,054
Construction in progress	1,011,262	1,381,595	(526,769)	1,866,088
Total non-depreciable assets	1,216,316	1,381,595	(526,769)	2,071,142
Depreciable capital assets:				
Buildings and improvements	88,434,176	1,165,124	526,769	90,126,069
Furniture and equipment	2,397,932	181,423	(45,068)	2,534,287
Vehicles	405,905	30,505	-	436,410
Total depreciable assets	91,238,013	1,377,052	481,701	93,096,766
Less accumulated depreciation:				
Buildings and improvements	31,869,072	2,210,536	-	34,079,608
Furniture and equipment	1,854,265	142,535	(39,097)	1,957,703
Vehicles	252,320	34,066	-	286,386
Total accumulated depreciation	33,975,657	2,387,137	(39,097)	36,323,697
Total depreciable assets, net	57,262,356	(1,010,085)	520,798	56,773,069
	$ 58,478,672	**$ 371,510**	**$ (5,971)**	**$ 58,844,211**

Depreciation expense has been allocated to the following functions: general support $44,683, instruction $2,302,491, pupil transportation $34,169, and food service $5,794.

As of June 30, 2018, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 58,844,211
Bonds and related premiums	(37,227,553)
Cash in capital projects fund, net of payables	6,297,004
Bond anticipation notes	(9,875,000)
	$ 18,038,662

6. Short Term Debt

As of June 30, 2018, bond anticipation notes (BANs) issued and outstanding totaled $9,875,000, with interest at 2.75% and maturing in March 2019. The BANs were used to refinance $3,000,000 of BANs that matured in March 2018 and to provide additional capital project funding. The District intends to continue to reissue the BANs until permanent financing is secured.

7. Long-Term Liabilities

	July 1, 2017	Increases	Decreases	June 30, 2018	Amount Due in One Year
Bonds	$ 40,365,000	$ -	$ 3,390,000	$ 36,975,000	$ 3,465,000
Bond premiums	294,649	-	42,096	252,553	-
Compensated absences	4,021,000	293,000	-	4,314,000	763,000
	$ 44,680,649	**$ 293,000**	**$ 3,432,096**	**$ 41,541,553**	**$ 4,228,000**

Existing Obligations

Description	Maturity	Rate	Balance
Serial bonds - 2011	July 2024	2.0% - 5.0%	$ 6,345,000
Serial bonds - 2015	June 2030	2.0% - 3.0%	30,630,000
			$ 36,975,000

Debt Service Requirements

Years ending June 30,	Principal	Interest
2019	$ 3,465,000	$ 1,100,175
2020	3,540,000	1,008,938
2021	3,625,000	902,337
2022	3,720,000	792,838
2023	3,835,000	664,863
2024-2028	14,275,000	1,969,531
2029-2030	4,515,000	179,550
	$ 36,975,000	**$ 6,618,232**

8. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 9.8% for 2018. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2018, these rates ranged from 9.4% - 21.7%.

The amount outstanding and payable to TRS for the year ended June 30, 2018 was $2,609,892. A liability to ERS of $336,220 is accrued based on the District's legally required contribution for employee services rendered from April 1, 2018 through June 30, 2018.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2018, the District reported an asset of $1,205,688 for its proportionate share of the TRS net pension position and a liability of $764,569 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures applied to roll forward the net pension position to June 30, 2017. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2018, the District's proportion was 0.158622%, an increase of 0.002573 from its proportion measured as of June 30, 2017.

The ERS net pension position was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the District's proportion was 0.0236896%, an increase of 0.000306 from its proportion measured as of March 31, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $4,076,621 on the government-wide statements (TRS expense of $2,992,626 and ERS expense of $1,083,995). At June 30, 2018, the District reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 991,985	$ 470,084	$ 272,697	$ 225,347
Changes of assumptions	12,268,108	-	506,973	-
Net difference between projected and actual earnings on pension plan investments	-	2,839,743	1,110,476	2,191,970
Changes in proportion and differences between District contributions and proportionate share of contributions	-	260,526	394,757	7,000
District contributions subsequent to the measurement date	2,609,892	-	336,220	-
	$ 15,869,985	**$ 3,570,353**	**$ 2,621,123**	**$ 2,424,317**

District contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2019	$ 240,670	$ 323,342
2020	3,207,426	233,721
2021	2,284,382	(481,763)
2022	538,275	(214,714)
2023	2,277,624	-
Thereafter	1,141,363	-
	$ 9,689,740	**$ (139,414)**

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2016 valuation, with update procedures used to roll forward the total pension liability to June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.5%
Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%
Projected Cost of Living Adjustments (COLA) – 1.5% compounded annually
Investment rate of return – 7.25% compounded annually, net of investment expense, including inflation (7.50% for the 2016 measurement)
Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis
Discount rate – 7.25% (7.50% for the 2016 measurement)

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

For ERS, the actuarial assumptions used in the April 1, 2017 valuation, with update procedures used to roll forward the total pension liability to March 31, 2018, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 3.8%
COLA – 1.3% annually
Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation
Mortality – Society of Actuaries' Scale MP-2014
Discount rate – 7.0%

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

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

	TRS		ERS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equities	35%	5.9%	36%	4.6%
International equities	18%	7.4%	14%	6.4%
Private equities	8%	9.0%	10%	7.5%
Real estate	11%	4.3%	10%	5.6%
Inflation-indexed bonds	-	-	4%	1.3%
Domestic fixed income securities	16%	1.6%	-	-
Global fixed income securities	2%	1.3%	-	-
Bonds and mortgages	8%	2.8%	17%	1.3%
Short-term	1%	0.6%	1%	(0.3)%
Other	1%	3.9%	8%	3.8%-5.7%
	100%		**100%**	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those 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.

The following presents the District's proportionate share of its net pension position calculated using the discount rate of 7.25% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
District's proportionate share of the TRS net pension asset (liability)	$ (20,770,430)	$ 1,205,688	$ 19,609,595
District's proportionate share of the ERS net pension asset (liability)	$ (5,784,937)	$ (764,569)	$ 3,482,461

9. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for District employees and their spouses. Benefit provisions are based on individual contracts with the District, as negotiated from time to time. Eligibility is based on covered employees who retire from the District at age 55 or older and have met vesting requirements. The Plan is open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in the District's policies. The District thereby provides an implicit rate subsidy on behalf of eligible employees. The Plan has no assets, does not issue financial statements, and is not a trust.

At March 15, 2017, employees covered by the Plan include:

Active employees	462
Inactive employees or beneficiaries currently receiving benefits	202
Inactive employees entitled to but not yet receiving benefits	-
	664

Total OPEB Liability

The District's total OPEB liability of $5,132,778 was measured as of March 31, 2018 and was determined by an actuarial valuation as of March 15, 2017, rolled forward through an interim valuation to June 30, 2018.

The total OPEB liability in the June 30, 2018 interim valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the National Health Expenditure Projections 2009-2025 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2016_a (updated September 2016) for long-term rates, initially 6.2%, rising to 6.3% in 2019 and an ultimate rate of 4.17% after 2070
Salary increases – 3.31%
Mortality – 2015 TRS mortality rates for active members for all active employees; 2015 TRS mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2017 for retirees and surviving spouses
Discount rate – 3.61% based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (previously 3.80%)
Inflation rate – 2.31%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 4,888,674
Changes for the year:	
Service cost	179,347
Interest	185,695
Changes of benefit terms	-
Differences between expected and actual experience	(18,800)
Changes of assumptions or other inputs	79,177
Benefit payments	(181,315)
Net changes	244,104
Balance at June 30, 2018	$ 5,132,778

The following presents the sensitivity of the District's total OPEB liability to changes in the discount rate, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (2.61%)	Discount Rate (3.61%)	1.0% Increase (4.61%)
Total OPEB liability	$ (5,574,156)	$ (5,132,778)	$ (4,726,480)

The following presents the sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rates, including what the District's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (5.20% to 3.17%)	Healthcare Cost Trend Rate (6.20% to 4.17%)	1.0% Increase (7.20% to 5.17%)
Total OPEB liability	$ (4,541,029)	$ (5,132,778)	$ (5,827,130)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2018, the District recognized OPEB expense of $384,419. At June 30, 2018, the District reported deferred outflows 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	$ 179,093	$ 14,215
Changes of assumptions or other inputs	59,866	140,032
	$ 238,959	**$ 154,247**

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

Years ending June 30,		
2019	$	19,377
2020		19,377
2021		19,377
2022		6,124
2023		4,651
Thereafter		15,806
	$	**84,712**

10. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Health Insurance

The District participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 55 participating members as of June 30, 2017 (the most recent information available).

The District has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalents. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2017, which can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

Workers' Compensation

The District participates in the Erie #2 Area Schools Self-Funded Workers' Compensation Consortium (the Plan) sponsored by Erie 2-Chautauqua-Cattaraugus BOCES. The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes 24 participating members as of June 30, 2017 (the most recent information available).

The District has transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. To date, these supplemental assessments have not been required.

The Plan has published its own financial report for the year ended June 30, 2017, which can be obtained from Erie 2-Chautauqua-Cattaraugus BOCES, 8685 Erie Road, Angola, New York 14006.

11. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of the District.

Commitments

District taxpayers have approved a capital project expected to cost a total of $9,541,000. As of June 30, 2018, $3,558,000 has been expended on the project. Outstanding contract commitments at June 30, 2018 amounted to $5,983,000.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2017	2016	2015	2014	2013
District's proportion of the net pension position	0.158622%	0.156049%	0.154719%	0.153824%	0.149400%
District's proportionate share of the net pension asset (liability)	$ 1,205,688	$ (1,671,354)	$ 16,070,398	$ 17,134,997	$ 983,430
District's covered payroll	$ 25,135,751	$ 24,079,985	$ 23,559,823	$ 22,967,524	$ 22,068,662
District's proportionate share of the net pension position as a percentage of its covered payroll	4.80%	6.94%	68.21%	74.61%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%	100.70%

Data prior to 2013 is unavailable.

The following is a summary of changes of assumptions:

	2017	2016	2015
Inflation	2.5%	2.5%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%
Cost of living adjustments	1.5%	1.5%	1.625%
Investment rate of return	7.25%	7.5%	8.0%
Discount rate	7.25%	7.5%	8.0%
Society of Actuaries' mortality scale	MP-2014	MP-2014	AA

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

June 30,	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 2,609,892	$ 2,945,910	$ 3,193,006	$ 4,074,916	$ 3,692,349	$ 2,591,047
Contribution in relation to the contractually required contribution	(2,609,892)	(2,945,910)	(3,193,006)	(4,074,916)	(3,692,349)	(2,591,047)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 26,631,551	$ 25,135,751	$ 24,079,985	$ 23,559,823	$ 22,967,524	$ 22,068,662
Contributions as a percentage of covered payroll	9.80%	11.72%	13.26%	17.30%	16.08%	11.74%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2018	2017	2016	2015
District's proportion of the net pension position	0.0236896%	0.0233836%	0.0236703%	0.0234148%
District's proportionate share of the net pension liability	$ (764,569)	$ (2,197,177)	$ (3,799,149)	$ (791,008)
District's covered payroll	$ 7,308,388	$ 7,013,964	$ 6,603,156	$ 6,833,238
District's proportionate share of the net pension position as a percentage of its covered payroll	10.46%	31.33%	57.54%	11.58%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

June 30,	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 1,131,617	$ 1,094,392	$ 1,206,276	$ 1,387,979	$ 1,277,364	$ 1,240,392
Contribution in relation to the contractually required contribution	(1,131,617)	(1,094,392)	(1,206,276)	(1,387,979)	(1,277,364)	(1,240,392)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,308,388	$ 7,013,964	$ 6,603,156	$ 6,833,238	$ 6,771,994	$ 6,589,371
Contributions as a percentage of covered payroll	15.48%	15.60%	18.27%	20.31%	18.86%	18.82%

Data prior to 2013 is unavailable.

Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios

June 30,	2018	2017
Total OPEB liability - beginning	$ 4,888,674	$ 4,680,314
Changes for the year:		
Service cost	179,347	176,935
Interest	185,695	156,894
Changes of benefit terms	-	-
Differences between expected and actual experience	(18,800)	221,735
Changes of assumptions or other inputs	79,177	(173,372)
Benefit payments	(181,315)	(173,832)
Net change in total OPEB liability	244,104	208,360
Total OPEB liability - ending	$ 5,132,778	$ 4,888,674
Covered-employee payroll	$ 27,080,227	$ 27,080,227
Total OPEB liability as a percentage of covered-employee payroll	19.0%	18.1%

Data prior to 2017 is unavailable.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Supplementary Information
Schedule of Change from Original to Final Budget and Calculation of Unrestricted Fund Balance Limit - General Fund

For the year ended June 30, 2018

Original expenditure budget	$	67,795,500
Encumbrances carried over from prior year		656,947
Revised expenditure budget	$	68,452,447

* * *

Unrestricted Fund Balance		
Assigned	$	2,500,000
Unassigned		2,300,747
		4,800,747
Encumbrances included in assigned fund balance		-
Appropriated fund balance used for tax levy		(2,500,000)
Amount subject to 4% limit pursuant to Real Property Tax Law §1318	$	2,300,747
§1318 of Real Property Tax Law - unrestricted fund balance limit calculation		
2019 expenditure budget (unaudited)	$	70,120,000
4% of budget		2,804,800
Actual percentage of 2019 expenditure budget		3.3%

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2018

Project Title	Original Budget	Revised Budget	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance
2016 capital improvements	$ 9,875,000	$ 9,541,245	$ 1,011,262	$ 2,546,719	$ 3,557,981	$ 5,983,264

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Education:			
Passed Through New York State Education Department:			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-18-0228	$ 780,042
Special Education Preschool Grants	84.173	0033-18-0228	19,168
Total Special Education Cluster			799,210
Title I Grants to Local Educational Agencies	84.010	0021-18-0800	305,725
Title I Grants to Local Educational Agencies	84.010	0011-18-2528	20,000
Title I Grants to Local Educational Agencies	84.010	0011-17-2528	1,747
Supporting Effective Institution State Grants	84.367	0147-18-0800	100,951
Total U. S. Department of Education			1,227,633
U.S. Department of Agriculture:			
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	54,047
National School Lunch Program	10.555	N/A	282,372
Total Child Nutrition Cluster			336,419
Passed Through New York State Office of General Services:			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	50,345
Total U.S. Department of Agriculture			386,764
Total Expenditures of Federal Awards			**$ 1,614,397**

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Hamburg Central School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

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

Indirect Costs

The District does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2018, the District used $50,345 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Education
Hamburg Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Hamburg Central School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Lumsden & McCormick, LLP

October 9, 2018

Lumsden McCormick LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Hamburg Central School District

Report on Compliance for Each Major Federal Program

We have audited Hamburg Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Lumsden & McCormick, LLP

October 9, 2018

Schedule of Findings and Questioned Costs

For the year ended June 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Special Education Cluster:		
Special Education Grants to States	84.027	$ 780,042
Special Education Preschool Grants	84.173	19,168
		$ 799,210

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.