

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2017

NEW ISSUE BOND ANTICIPATION NOTES

RATINGS: See "Rating" herein

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

The District **WILL NOT** designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CITY SCHOOL DISTRICT OF THE CITY OF CORNING STEUBEN, SCHUYLER AND CHEMUNG COUNTIES, NEW YORK

\$14,455,000

BOND ANTICIPATION NOTES – 2017 SERIES B (the "Notes")

Date of Issue: August 17, 2017

Maturity Date: June 21, 2018

The Notes are general obligations of the City School District of the City of Corning, Steuben, Schuyler, and Chemung Counties, New York (the "District") and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount. (See "*Nature of the Obligation*," herein.)

The Notes are dated August 17, 2017 and will bear interest from that date until June 21, 2018, the maturity date, at the annual rate(s) as specified by the purchaser(s) of the Notes. The Notes will not be subject to redemption prior to maturity.

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

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

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

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Financial Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes through the offices of DTC in Jersey City, New Jersey or as otherwise agreed upon with the purchasers will be made on or about August 17, 2017.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR PURPOSES OF THE SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING FOR THE NOTES" HEREIN.

Dated: July 27, 2017

**CITY SCHOOL DISTRICT OF THE CITY OF CORNING
STEUBEN, SCHUYLER AND CHEMUNG COUNTIES, NEW YORK**

Board of Education

Dr. Dale R. WexellPresident
Victoria Zingler Vice President
Nancy Arkin Board Member
Kevin Ashton..... Board Member
Kristina Belanger..... Board Member
Mary Franklin..... Board Member
Janelle Meteer..... Board Member
Virginia Schultz..... Board Member
Dr. James Webb Board Member

Michael GinalskiSuperintendent of Schools
Paul Webster..... School Business Official
Karen DutcherDistrict Clerk
James Housworth District Treasurer
Harris Beach PLLC. School Attorney

BOND COUNSEL

**Hawkins Delafield & Wood LLP
New York, New York**

MUNICIPAL ADVISOR



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

No person has been authorized by the City School District of the City of Corning 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, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 changes in the affairs of the District since the date hereof.

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OFFICIAL STATEMENT

CITY SCHOOL DISTRICT OF THE CITY OF CORNING STEUBEN, SCHUYLER AND CHEMUNG COUNTIES, NEW YORK

relating to

\$14,455,000

BOND ANTICIPATION NOTES – 2017 SERIES B

(the “Notes”)

This Official Statement, which includes the cover page, inside cover page and appendices hereto, presents certain information relating to the City School District of the City of Corning in the Counties of Steuben, Schuyler and Chemung, State of New York (the “District,” “Counties” and “State,” respectively) in connection with the sale of \$14,455,000 Bond Anticipation Notes – 2017 Series B (the “Notes”).

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

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as set forth on the front cover page.

The Notes will not be subject to prior redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

Authority for and Purpose of the Notes

The Notes are authorized to be issued pursuant to the Constitution and laws of the State, including the Education Law and the Local Finance Law, and two bond resolutions duly adopted by the Board of Education of the District.

A \$14,000,000 portion of the proceeds of the Notes will be used to provide additional original financing for the construction of additions, alterations and improvements to District facilities and the sites thereof, pursuant to the Bond Resolution adopted by the Board of Education on July 30, 2014, and thereafter approved as a Bond Proposition by a majority of the qualified voters of the District present and voting at the Special District Meeting duly called and held on September 23, 2014. A \$455,000 portion of the proceeds of the Notes will be used to provide original financing for the acquisition of various school buses and vehicles, pursuant to the Bond Resolution adopted by the Board of Education on February 15, 2017, and thereafter approved as a Bond Proposition by a majority of the qualified voters of the District present and voting at the Annual District Meeting and Election duly called and held on May 16, 2017.

Nature of Obligation

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest the District has power and statutory authorization to levy ad valorem taxes on all taxable real property in the District without limitation as to rate or amount.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. Chapter 97 of the Laws of 2011, as amended (the “*The Tax Levy Limit Law*”), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy. The amount of such year-to-year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. (See “*The Tax Levy Limit Law*” herein.)

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository if so requested, for the Notes. If so requested, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for the Notes bearing the same rate of interest and CUSIP and deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments (MMI) Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

Source: The Depository Trust Company

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

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

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH

RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS ; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

REMEDIES UPON DEFAULT

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

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

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

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

SECTION 99-B OF THE STATE FINANCE LAW

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

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such

successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

No Past Due Debt

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

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

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

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

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

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

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received (“State Aid”). The District’s receipt of State aid may be delayed as a result of the State’s failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the District fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the District is authorized pursuant to the Local Finance Law (“LFL”) to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also “State Aid” herein.)

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

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

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

TAX MATTERS

Opinion of Bond Counsel

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

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes.

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

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

Note Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the District shall furnish a certificate of the School Attorney, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the

application of moneys to the payment of the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect and enforce the collection of taxes or other revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the District with respect to the Notes, substantially as set forth in Appendix D hereto which will be available at the time of delivery of the Notes.

Closing Certificates

Upon the delivery of the Notes, the Purchaser(s) will be furnished with the following items: (i) a Certificate of the President of the Board of Education and certain officers of the District to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Notes; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the District evidencing payment for the Notes; and (iii) a Signature Certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes or the collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded, and (iv) a Tax Certificate executed by the chief fiscal officer of the District, as described under “*Tax Matters*” herein.

DISCLOSURE UNDERTAKING

Disclosure Undertaking for the Notes

This Official Statement is in a form “deemed final” by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the District will provide an executed copy of its “Undertaking to Provide Notices of Events” substantially as set forth in Appendix E.

Prior Disclosure History

Certain municipal bond insurance companies have had a variety of ratings changes over the past five years. The District filed an event notice for these changes on EMMA on August 1, 2014 to include, Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc.) and National Public Finance Guarantee Corporation (formerly MBIA Insurance Corp.).

RATING

The Notes have not been rated.

Moody’s Investors Service, Inc. (“Moody’s”) has previously assigned an underlying rating of “Aa3” to the outstanding uninsured bonds of the District.

Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from Moody's, at the following address: 7 World Trade Center at 250 Greenwich Street, New York, NY 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, (the "Municipal Advisor") has served as the independent municipal advisor to the District in connection with the sale of the Notes.

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

ADDITIONAL INFORMATION

Additional information may be obtained from Mr. Paul Webster, Business Official, 165 Charles Street, Painted Post, NY 14870, phone: (607) 936-3704, x 2713, email: pwebster@cpmail.com or from the District's Financial Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

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

This Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

CITY SCHOOL DISTRICT OF THE CITY OF CORNING Steuben, Schuyler and Chemung Counties, New York

By: *s/Dr. Dale R. Wexell*
Dr. Dale R. Wexell
President of the Board of Education

DATED: August __, 2017

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The District, with a population of approximately 33,350 according to District Officials, has a land area of approximately 237 square miles and is situated primarily in the county of Steuben, with portions extending into Schuyler and Chemung counties. The District includes all of the city of Corning and the towns of Corning and Hornby; portions of the Towns of Big Flats, Bradford, Campbell, Catlin, Dix, Erwin, Lindley, Orange, Caton, and Southport; as well as all of the villages of Painted Post, Riverside and South Corning.

The city of Corning is located at the crossroads of Interstate 86, the east-west “Southern Tier Expressway,” and NYS Route 99, which runs north-south. The District is served by airlines operating out of the Chemung County Airport. Rail service is provided by Norfolk Southern-Conrail. Public utilities serving the District include NYS Electric & Gas Corporation, Corning Natural Gas Corporation, Columbia Gas of New York, Consolidated Gas Supply Corporation and Verizon New York Inc.

The District is generally rural in character with both agricultural and industrial development and major employers.

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 Board of Education, which consists of nine members, including the President and Vice President. Board members are elected for overlapping terms of three years. The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by such Board, include the Superintendent of Schools, Assistant Superintendent for Administrative Services, School Business Official, District Clerk and District Treasurer.

District Facilities

The District currently operates the following facilities:

TABLE 1
School Statistics

| <u>Name of School</u> | <u>Grades</u> | <u>Year of Construction</u> | <u>State Rated Capacity</u> |
|------------------------------|----------------------|------------------------------------|------------------------------------|
| Carder Elementary | K-5 | 1955 | 468 |
| Smith Elementary | K-5 | 1957 | 426 |
| Severn Elementary | K-5 | 1955 | 546 |
| Erwin Valley Elementary | K-5 | 1957 | 292 |
| Gregg Elementary | K-5 | 1952 | 378 |
| Winfield Elementary | K-5 | 1957 | 405 |
| Northside-Blodgett Middle | 6-8 | 1926 | 626 ⁽¹⁾ |
| High School | 9-12 | 1963 | 3,420 |
| Middle School | 9-12 | 1963 | <u>2,700</u> |
| Total Capacity | | | 9,261 |

⁽¹⁾ Buildings are currently closed and for sale.

Source: District officials.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the School Business Official, and the District Treasurer.

Employees

There are approximately 961 persons employed by the District. The collective bargaining units which represent District employees and the expiration dates of current collective bargaining agreements are as follows:

TABLE 2
Employees

| <u>Approximate # of Employees</u> | <u>Union</u> | <u>Contract Expiration Date</u> |
|--|---|--|
| 20 | Administrators/Supervisors' Association | 06/30/2018 |
| 283 | Civil Service Employees' Association | 06/30/2019 |
| 187 | Corning Teaching Assistant Association | 06/30/2019 |
| 471 | Corning Teachers' Association | 06/30/2018 |

Source: District Officials

Employee Pension and Other Post-Employment Benefits

All non-teaching and non-certified administrative employees of the School District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement System ("ERS").

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to the Teachers' Retirement System are deducted from the School District's State aid payments.

Both the ERS and the TRS are non-contributing with respect to members hired prior to July 27, 1976. The Retirement Systems are non-contributory with respect to members working ten or more years. All members working less than ten years must contribute 3% of gross annual salary toward the cost of retirement programs. Employees hired on or after April 1, 2013 have a variable contribution amount. See further details herein.

The following table details the actual contributions to ERS and TRS for the past three audited fiscal years and the 2017 and 2018 budgeted contributions:

| <u>Year Ended</u> | <u>ERS</u> | <u>TRS</u> |
|--------------------------|-------------------|-------------------|
| 2018 <i>Budgeted</i> | \$1,184,829 | \$3,513,105 |
| 2017 <i>Budgeted</i> | 1,242,580 | 4,182,426 |
| 2016 | 1,413,191 | 4,816,761 |
| 2015 | 1,483,478 | 6,173,356 |
| 2014 | 1,487,609 | 5,714,805 |

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

Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On December 10, 2009, pension reform legislation was signed into law. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age of which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38 percent for any civilian who retires prior to age 62.
- Requiring employees to continue contributing three percent of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from five years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15 percent of non-overtime wages.

Members of the TRS will have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5 percent of their annual wages to pension costs rather than 3.0 percent and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the two percent multiplier threshold for final pension calculations from 20 to 25 years.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

The New York State TRS has adopted an Employer Contribution Rate of 13.26% applicable to 2015-16 salaries. This is a decrease of 24% from last year's rate of 17.53%. The 2016-17 rate is expected to be 11.72%.

Due to prior poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli had announced that the employer contribution rates for required pension contributions to the SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school district that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases. The District did not opt into the pension smoothing plan.

In Spring 2013, the State and TRS approved a Stable Contribution Option ("SCO") that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates ("ARCs"). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The plan, which was approved in Governor Cuomo's 2014-15 budget would

let districts contribute 14.13% of employee costs toward pensions. The District did not opt into the pension smoothing plan.

The TRS SCO deferral plan is available to school districts for the next 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits. OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 will require municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. 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 or school district 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 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The District was in compliance with the requirements of GASB 45 by the applicable effective date, and a summary of the actuarial valuation is included as part of the District's June 30, 2016 Financial Audit attached herein.

The following table summarizes the District's annual OPEB for the year ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Annual required contribution | | |
| Annual Required Contribution – Normal Cost | \$9,944,959 | \$9,562,461 |
| Amortization of unfunded actuarial accrued liability | 14,834,310 | 14,142,508 |
| Interest adjustment | 2,625,248 | 2,002,235 |
| Annual Required Contribution | <u>(3,795,459)</u> | <u>(2,894,737)</u> |
| | 23,609,058 | 22,812,467 |
| Contributions made | <u>(7,539,793)</u> | <u>(7,237,154)</u> |
| Increase in net OPEB obligation | 16,069,265 | 15,575,313 |
| Net OPEB obligation – beginning of the year | <u>65,631,199</u> | <u>50,055,886</u> |
| Net OPEB obligation – end of year | <u>\$81,700,464</u> | <u>\$65,631,199</u> |

Source: Audited Financial Statements

As of July 1, 2014, the plan was unfunded. The unfunded actuarial accrued liability for benefits for governmental activities was \$256,515,391.

Investment Policy/Permitted Investments

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

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

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

The Board of Education had 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.

FINANCIAL FACTORS

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.

Property Tax

The following table sets forth total general fund revenues and real property tax revenues including other property tax items during the last five audited fiscal years and budgeted for the current and ensuing fiscal years.

TABLE 3
Property Taxes

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>Real Property Taxes and Tax Items</u> | <u>Real Property Taxes as Percentage of Revenues</u> |
|---------------------------|------------------------------|---|---|
| 2012 | \$ 85,563,791 | \$ 49,456,004 | 57.8% |
| 2013 | 85,463,884 | 50,100,830 | 58.6% |
| 2014 | 96,739,821 | 52,680,054 | 54.5% |
| 2015 | 99,023,383 | 54,035,571 | 54.6% |
| 2016 | 100,301,769 | 54,175,026 | 54.0% |
| 2017 Budget | 101,937,140 | 50,968,797 | 50.0% |
| 2018 Budget | 103,948,204 | 51,854,114 | 49.9% |

Source: District's audited financial statements and adopted budgets.

State Aid

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

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

TABLE 4
State Aid Revenue

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>State Aid</u> | <u>State Aid to Revenues</u> |
|--------------------|-----------------------|------------------|------------------------------|
| 2012 | \$ 85,563,791 | \$ 31,418,820 | 36.7% |
| 2013 | 85,463,884 | 33,078,177 | 38.7% |
| 2014 | 96,739,821 | 41,574,932 | 43.0% |
| 2015 | 99,023,383 | 41,499,603 | 41.9% |
| 2016 | 100,301,769 | 43,730,691 | 43.6% |
| 2017 Budget | 101,937,140 | 45,710,911 | 44.8% |
| 2018 Budget | 103,948,204 | 46,605,997 | 44.8% |

Source: District's audited financial statements and budgets

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

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

Potential reductions in Federal aid received by the State. The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State’s current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

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 new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other medicaid rules.

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.

Recent Events Affecting New York School Districts

School district fiscal year (2012-13): The State Legislature adopted the State budget on March 30, 2012. The budget included an increase of \$751 million in State aid for school districts.

School district fiscal year (2013-14): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$1.0 billion in State aid for school districts.

School district fiscal year (2014-15): The State Legislature adopted the State budget on April 1, 2014. The budget included an increase of \$807 million in State aid for school districts totally \$21.88 billion in State aid for New York school districts.

School district fiscal year (2015-16): The State Legislature adopted the State budget on April 1, 2015. The budget provides for school aid of approximately \$23.5 billion, which represents an increase of approximately \$1.3 billion, or 7.4%, in total school aid spending from the 2014-15 school year. The budget continues a three-year appropriation methodology established in the 2011-12 State fiscal year and limits future school aid increases to growth as measured by the total personal income of residents of the State.

School district fiscal year (2016-17): The State Legislature adopted the State budget on March 31, 2016. The budget includes an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consists of traditional operating aid. In addition to the \$408 million of expense based aid, the budget includes a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase includes \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The budget includes School Aid spending of \$24.8 billion, a \$1.5 billion increase (6.5% increase) from the prior fiscal year.

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

The State budget provisions relating to school districts for the forthcoming School District fiscal year were adopted on April 9, 2017 and signed by the Governor on April 20, 2017.

The budget increases Education Aid by \$1.1 billion, including a \$700 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$25.8 billion or an increase of 4.4 percent. It is reported in the press that approximately \$3.6 billion in Foundation Aid will continue to be due in order to fully phase-in and implement the existing formula.

Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as has been customary in recent years. Transportation Aid increased 5.5 percent and Building Aid increased 4.8 percent.

The budget continues to link school aid increases for 2017-18 and 2018-19 with teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law section 3012-d.

The budget includes a provision to permit school districts to authorize and establish conditions for the partial payment of property taxes.

The District presently anticipates an increase in its State Aid not related to building aid for its 2017-18 fiscal year in an amount of \$920,467.

It should also be noted that the District receives federal aid for certain programs. In its last audited fiscal year, the District received \$228,918 in such direct federal aid. It is not possible to predict whether such aid will continue in the future, or if continued, whether it will be funded at present levels.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District's 2016-17 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.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York 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 district 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 district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. 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", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the District as "No Designation" (see www.osc.state.ny.us/localgov/fiscalmonitoring/schools/pdf/summarylist.pdf).

Independent Audit

The District retains Lumsden and McCormick LLP, CPA. as independent certified public accountants to audit its financial statements. Appendix C to the Official Statement presents a copy of the District's most recent audited financial report. In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State.

New York State Comptroller's Audit

Many school districts throughout the state can be subject to an audit of the New York State Office of the Comptroller ("OSC") pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

On July 1, 2011, OSC, Division of Local Government and School Accountability released an audit of the District to review selected District's information technology controls from July 1, 2009 through December 31, 2011. The audit was conducted to determine if the District's controls correctly prevent improper access to its information technology systems and data and provide for appropriate monitoring of network activities. The vulnerabilities found in the audit contained sensitive information and were not outlined in the report. Rather, the results were shared directly with the District and District Officials agreed with the findings. The District has worked to modify the vulnerabilities found in the audit from the OSC. The link to the OSC report is as follows: <http://www.osc.state.ny.us/localgov/audits/schools/2011/corning.pdf>.

On October 7, 2016, OSC, Division of Local Government and School Accountability released an audit of the District to review selected District's procurement practices from July 1, 2014 through April 26, 2016. The audit found that the District's procurement policy does not include procedures for attaining professional services and that the District did not always properly enact competitive processes through requests for proposals to obtain quotes for said professional services. The link to the OSC report is as follows: <http://www.osc.state.ny.us/localgov/audits/schools/2016/corning.pdf>.

The OSC has not conducted any other audits of the District in the past five years.

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, school lunch fund and debt service fund. In addition, a capital projects fund is used to record capital facilities while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

The District's governmental funds are accounted for on a modified accrual basis whereby revenues, other than those susceptible ("measurable" and "available" to finance current operations) to accrual, are recorded when received in cash. Revenues susceptible to accrual include real property taxes and State aid. The District generally records expenditures on the accrual basis when fund liabilities are incurred, except as follows: Interest on general obligation debt which is recorded when it becomes due. Unfunded pension costs are recognized as expenditure when billed by the State. Accumulated vacation and sick leave are also accounted for in the general long-term debt account group. Inventories are generally not recorded but expensed at the time of purchase; food and supplies in school lunch are inventoried and carried at values which approximate market. Fixed assets are recorded at replacement cost as determined by appraisal; there is no provision for depreciation expense.

Budgetary Procedure

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

On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-18 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2016-17 and 2017-18 may be found in Appendix B, herein.

TAX INFORMATION

Real Property Tax Assessments and Rates

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 city of Corning and the towns which comprise the District. Assessment valuations are determined by the city and town assessors and the State Board of Equalization and Assessment which is responsible for certain utility and railroad property. In addition, the State Office of Equalization and Assessment 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. (See, however, "The Tax Levy Limit Law" herein).

Table 5
Assessed and Full Valuation

Based on Special Equalization Rates

| Assessment Roll Year: | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| FYE: | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| City of Corning | | | | | |
| Assessed Value | \$540,883,899 | \$639,021,874 | \$638,462,964 | \$630,287,106 | \$627,182,644 |
| Equalization Rate | 84.04% | 99.45% | 98.73% | 95.96% | 93.35% |
| Full Value | 551,284,180 | 643,602,926 | 646,675,746 | 656,822,745 | 671,861,429 |
| | | | | | |
| Assessment Roll Year: | 2012 | 2013 | 2014 | 2015 | 2016 |
| FYE: | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Town of Big Flats | | | | | |
| Assessed Value | 13,559,781 | 14,088,914 | 14,131,575 | 14,821,283 | 14,845,575 |
| Equalization Rate | 92.84% | 94.72% | 94.84% | 97.23% | 95.39% |
| Full Value | 14,605,537 | 14,874,276 | 14,900,438 | 15,243,529 | 15,563,031 |
| | | | | | |
| Town of Bradford | | | | | |
| Assessed Value | 407,513 | 484,495 | 474,722 | 464,787 | 455,315 |
| Equalization Rate | 76.09% | 81.75% | 79.53% | 76.38% | 73.40% |
| Full Value | 535,567 | 592,654 | 596,909 | 608,519 | 620,320 |
| | | | | | |
| Town of Campbell | | | | | |
| Assessed Value | 1,382,718 | 1,374,726 | 1,368,163 | 53,875,923 | 53,640,501 |
| Equalization Rate | 2.80% | 2.81% | 2.19% | 93.43% | 88.17% |
| Full Value | 48,382,786 | 63,060,826 | 62,473,196 | 57,664,479 | 60,837,588 |
| | | | | | |
| Town of Catlin | | | | | |
| Assessed Value | 47,314,455 | 51,873,227 | 50,312,559 | 51,927,183 | 52,124,359 |
| Equalization Rate | 88.14% | 92.28% | 89.91% | 91.19% | 88.44% |
| Full Value | 53,681,025 | 56,212,860 | 55,958,802 | 56,943,945 | 58,937,538 |

| Assessment Roll Year: | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| FYE: | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Town of Caton | | | | | |
| Assessed Value | 144,189,753 | 153,834,377 | 150,215,396 | 146,487,062 | 166,268,081 |
| Equalization Rate | 91.54% | 89.88% | 89.62% | 88.10% | 96.60% |
| Full Value | 157,515,570 | 171,155,293 | 167,613,698 | 166,273,623 | 172,120,167 |
| Town of Corning | | | | | |
| Assessed Value | 391,990,916 | 385,752,912 | 378,151,770 | 371,170,663 | 373,081,188 |
| Equalization Rate | 95.91% | 94.95% | 87.95% | 85.29% | 82.67% |
| Full Value | 408,707,034 | 406,269,523 | 429,962,217 | 435,186,614 | 451,289,692 |
| Town of Dix | | | | | |
| Assessed Value | 11,738,288 | 11,581,119 | 11,627,817 | 11,958,903 | 12,915,251 |
| Equalization Rate | 97.45% | 96.51% | 91.29% | 88.59% | 93.55% |
| Full Value | 12,045,447 | 11,999,916 | 12,737,230 | 13,449,157 | 13,805,720 |
| Town of Erwin | | | | | |
| Assessed Value | 519,271,717 | 523,907,907 | 586,910,319 | 587,136,075 | 588,186,475 |
| Equalization Rate | 87.52% | 87.70% | 99.30% | 96.95% | 94.87% |
| Full Value | 593,317,775 | 597,386,439 | 591,047,653 | 605,607,091 | 619,992,068 |
| Town of Hornby | | | | | |
| Assessed Value | 78,671,575 | 81,336,631 | 80,194,782 | 84,948,672 | 83,713,657 |
| Equalization Rate | 90.51% | 93.02% | 94.94% | 97.70% | 92.96% |
| Full Value | 86,920,313 | 87,439,939 | 84,468,909 | 86,948,487 | 90,053,418 |
| Town of Lindley | | | | | |
| Assessed Value | 2,618,752 | 2,622,284 | 2,627,499 | 2,628,630 | 2,632,362 |
| Equalization Rate | 2.77% | 2.32% | 2.27% | 2.16% | 2.05% |
| Full Value | 94,539,783 | 113,029,483 | 115,748,855 | 121,695,833 | 128,407,902 |
| Town of Orange | | | | | |
| Assessed Value | 21,882,191 | 19,842,074 | 18,803,633 | 17,894,366 | 19,781,879 |
| Equalization Rate | 99.14% | 99.14% | 91.41% | 88.95% | 94.19% |
| Full Value | 22,882,191 | 20,014,196 | 20,570,652 | 20,117,331 | 21,002,101 |
| Town of Southport | | | | | |
| Assessed Value | 1,081,835 | 1,085,748 | 1,079,737 | 1,492,725 | 1,565,739 |
| Equalization Rate | 84.32% | 82.60% | 82.44% | 96.35% | 93.67% |
| Full Value | 1,283,011 | 1,314,465 | 1,309,725 | 1,549,273 | 1,671,548 |
| Total: | | | | | |
| Assessed Value | \$1,774,993,393 | \$1,886,806,288 | \$1,934,360,936 | \$1,975,093,378 | \$1,996,393,026 |
| Full Value | \$2,138,208,784 | \$2,185,905,800 | \$2,204,064,029 | \$2,238,160,627 | \$2,306,162,521 |

Source: School Officials and State Office of Real Property Services.

Table 6
Tax Rates and Levy

| FYE: | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City of Corning | 25.00 | 26.02 | 23.69 | 23.81 | 23.64 |
| Town of Big Flats | 25.01 | 26.29 | 24.43 | 23.80 | 23.64 |
| Town of Bradford | 33.32 | 27.41 | 25.47 | 28.70 | 29.19 |
| Town of Campbell | 827.96 | 864.50 | 825.59 | 23.80 | 23.64 |
| Town of Catlin | 26.89 | 25.50 | 23.70 | 23.81 | 24.89 |
| Town of Caton | 25.01 | 25.50 | 24.68 | 26.45 | 23.64 |
| Town of Corning | 25.00 | 25.50 | 24.43 | 24.80 | 26.56 |
| Town of Dix | 25.01 | 25.50 | 23.69 | 23.81 | 23.64 |
| Town of Erwin | 25.00 | 25.76 | 23.69 | 23.81 | 23.64 |
| Town of Hornby | 25.52 | 25.50 | 24.18 | 23.81 | 23.64 |
| Town of Lindley | 865.70 | 850.59 | 837.26 | 1000.25 | 1010.28 |
| Town of Orange | 25.01 | 25.50 | 23.70 | 23.80 | 23.64 |
| Town of Southport | 26.34 | 29.33 | 27.86 | 23.79 | 23.64 |
| | | | | | |
| Tax Levy | \$47,653,147 | \$49,376,421 | \$49,713,789 | \$50,557,936 | \$50,968,797 |

Source: School Officials.

Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. However, the Tax Levy Limit Law imposes a statutory limit on the amount of real property taxes that a school district may levy. (See “*The Tax Levy Limit Law*” herein).

The Tax Levy Limit Law

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the “Tax Levy Limit Law” or the “Law”) was signed by the Governor. The Tax Levy Limit 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 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 will be 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 Notes, and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does not apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes;

and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

Real Property Tax Rebate (Chapter 59)

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

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

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

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

Real Property Tax Rebate (Chapter 20)

Chapter 20 introduced a new real property tax rebate program that will provide state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see "STAR - School Tax Exemption," herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20 Real Property Tax Rebate. For 2016, eligible taxpayers who reside outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") will receive \$130, and eligible taxpayers who reside outside the MCTD will receive \$185. Credits in 2017-2019 vary based on a taxpayer's personal income level and STAR tax savings.

Similarly to the Chapter 59 Real Property Tax Rebate, under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for many taxpayers only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation 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 Limitation 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 Limitation Law.

While the provisions of Chapter 59 and Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

NYSUT Lawsuit

On February 20, 2013, the New York State United Teachers (“NYSUT”) organization filed a lawsuit against the State challenging the Tax Levy Limitation Law as applied to school districts on multiple federal and state constitutional grounds. The Board of Education of the District did not join the NYSUT lawsuit as a plaintiff. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT’s causes of action but granted NYSUT’s motion to amend the complaint. After the ruling, NYSUT amended its complaint to include a challenge to the Chapter 59 Real Property Tax Rebate, also on federal and state constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. NYSUT has stated that the organization will appeal the decision; therefore, the ultimate outcome of this litigation cannot be determined at this time. On May 5, 2016 the state Appellate Division’s Third Department has upheld a lower court’s decision to dismiss a suit brought in 2013. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York’s highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also “State Aid” for a discussion of the New Yorkers for Students’ Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Tax Collection Procedure

The District’s tax bills are sent out and collected by the District’s appointed Tax Collector by the first business day of October. School taxes may be paid in full by October 31 without penalty or may be paid in two equal installments. If paid in installments, the first installment must be paid in full by October 31 to avoid penalty. After October 31 a penalty is added to the first installment as follows: 2% in November, 3% in December, 4% in January, 5% in February and 6% in March. The second installment may be paid in full by March 31 without penalty. The first installment plus any applicable penalties must be paid in full before the second installment may be paid. After March 31st unpaid taxes, along with a 7% penalty on uncollected first installment taxes and a 2% penalty on uncollected second installment taxes, are turned over by April 20 to the respective Chemung, Schuyler and Steuben County Treasurers for collection. Penalties increase by 1% for each subsequent month the tax remains unpaid. The Counties are permitted to collect and retain a 5% fee on delinquent school tax payments. The Counties are required by law to reimburse the District in full for such uncollected taxes and penalties prior to the end of the second fiscal year for which the taxes are levied.

The Counties are responsible for the collection of delinquent school taxes. The Counties may reimburse the District for unpaid school taxes from funds on hand or may borrow moneys pursuant to the Local Finance Law.

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STAR – School Tax Exemption

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

For the 2017-18 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

| <u>Municipality:</u> | <u>Enhanced Exemption</u> | <u>Basic Exemption</u> |
|-----------------------------|----------------------------------|-------------------------------|
| City of Corning | \$65,500 | \$30,000 |
| Town of Bradford | 53,060 | 24,300 |
| Town of Campbell | 66,470 | 30,540 |
| Town of Caton | 65,500 | 30,000 |
| Town of Corning | 58,300 | 26,700 |
| Town of Erwin | 65,500 | 30,000 |
| Town of Hornby | 65,500 | 30,000 |
| Town of Lindley | 1,530 | 700 |
| Town of Dix | 65,500 | 30,000 |
| Town of Orange | 65,500 | 30,000 |
| Town of Big Flats | 65,500 | 30,000 |
| Town of Catlin | 65,500 | 30,000 |
| Town of Southport | 65,500 | 30,000 |

Date Certified: 04/07/2017

Source: Department of Taxation and Finance

Since the 2011-12 school tax bills, there has been a 2% limit on STAR savings increases, the savings results from the Basic or Enhanced STAR exemptions are limited to a 2% increase over the prior year. When school district initially calculates their tax bills, for each municipal segment they will compare the amount of STAR savings to the maximum. If the STAR savings exceeded the maximum, the school district will use the maximum when calculating tax bills for the segment.

The maximum savings for each of the municipalities for the 2017-18 fiscal year are as follows:

| <u>Municipality:</u> | <u>Basic Maximum Savings</u> | <u>Enhanced Maximum Savings</u> |
|-----------------------------|-------------------------------------|--|
| City of Corning | \$723 | \$1,575 |
| Town of Big Flats | 723 | 1,575 |
| Town of Bradford | 741 | 1,613 |
| Town of Campbell | 779 | 1,656 |
| Town of Catlin | 743 | 1,599 |
| Town of Caton | 723 | 1,575 |
| Town of Corning | 751 | 1,615 |
| Town of Dix | 743 | 1,599 |
| Town of Erwin | 723 | 1,575 |
| Town of Hornby | 723 | 1,575 |
| Town of Lindley | 783 | 1,597 |
| Town of Orange | 743 | 1,615 |
| Town of Southport | 723 | 1,575 |

Updated: 04/06/2017

Source: Department of Taxation and Finance

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

Largest Taxpayers for the 2016-17 Fiscal Year

The following table presents the taxable assessments of the District's largest taxpayers from the June 1, 2016 tax roll for the 2016-17 fiscal year.

TABLE 7
Top Ten Largest Taxable Properties

| <u>Name</u> | <u>Type</u> | <u>Full Valuation</u> ⁽¹⁾ | <u>% of Taxable Full Valuation</u> ⁽¹⁾ |
|---------------------------------|--------------------|---|--|
| Corning, Inc. | Manufacturing | \$121,875,867 | 5.40% |
| Corning Natural Gas Corporation | Utility | 49,015,240 | 2.17% |
| NYS Electric & Gas Corporation | Utility | 44,687,418 | 1.98% |
| Pennsylvania Lines LLC | Railroad | 25,033,001 | 1.11% |
| Emerald Springs Apts LLC | Real Estate | 10,946,300 | 0.48% |
| Dominion Transmission | Utility | 10,174,741 | 0.45% |
| Corning Federal Credit | Bank | 9,007,200 | 0.40% |
| Corning Hotel Owner LLC | Hospitality | 8,890,000 | 0.39% |
| Woods Edge Apts of Erwin LLC | Real Estate | 7,750,000 | 0.34% |
| NY Inn LLC | Hospitality | <u>7,550,000</u> | <u>0.33%</u> |
| | | <u>\$294,929,767</u> | <u>13.06%</u> |

⁽¹⁾ The District's total full valuation based on special equalization rates for the fiscal year 2017-18 is \$2,306,162,521.

Source: District officials

DISTRICT INDEBTEDNESS

Constitutional and Statutory Requirements

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

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; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the

exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The 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 enactment of the Local Finance Law, authorized the power and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The Board of Education may adopt a bond resolution authorizing the expenditure of money for capital purposes and the issuance of bonds and notes in anticipation of the bonds, and such bond resolution is subject to the approval of the qualified electors of the District. The Local Finance Law provides a twenty-day statute of limitations after publication of a bond resolution, or summary thereof, together with a statutory form of notice which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Notes.

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

Debt Limit

The District has the power to issue bonds and notes for any District purpose so long as the aggregate amount thereof shall not, as of the date of issuance, exceed five per centum of the average full valuation of taxable real estate of the District, less certain permitted exclusions. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the special equalization ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Table 8
Computation of Debt Limit

| <u>Fiscal Year:</u> | <u>Full Valuation</u> ⁽¹⁾ |
|---|---|
| 2013-14 | \$ 2,138,208,784 |
| 2014-15 | 2,185,905,800 |
| 2015-16 | 2,204,064,029 |
| 2016-17 | 2,238,160,627 |
| 2017-18 | <u>2,306,162,521</u> |
| Total Five Year Valuation | <u>\$11,072,501,761</u> |
| Average Five Year Full Valuation | <u>\$ 2,214,500,352</u> |
| Debt Limit - 5% of Average Full Valuation | <u>\$ 110,725,018</u> |

⁽¹⁾ The amounts shown as full valuation have been computed with the use of Special Equalization Ratios (See Table 5). Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts, which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Board of Real Property Services and are used for all other purposes.

Statutory Debt Limit and Net Indebtedness

The following table sets forth the computation of the debt limit of the District and its debt contracting margin as of July 27, 2017.

TABLE 9
Statutory Debt Limit and Net Indebtedness

| | <u>Special State Equalization Ratios</u> |
|---|--|
| Average Full Valuation of Taxable Real Property | \$2,214,500,352 |
| Debt Limit (5% of Average Full Valuation) | <u>\$ 110,725,018</u> |
| Inclusions: | |
| Serial Bonds | \$ 56,955,000 |
| Bond Anticipation Notes | <u>39,525,000</u> |
| Total Inclusions | \$ 96,480,000 |
| Exclusions: | |
| Building Aid ⁽¹⁾ | 0 |
| Appropriations to Pay Bonded Debt Service | 4,515,000 |
| Appropriations to Pay BAN Debt Service | <u>2,155,000</u> |
| Total Exclusions | \$ 6,670,000 |
| | |
| Total Net Indebtedness | <u>\$ 89,810,000</u> |
| Net Debt-Contracting Margin | \$ 20,915,018 |
| Percentage of Debt Contracting Margin Exhausted | 81.11% |

⁽¹⁾ The District anticipates receiving approximately 81.2% of State building aid on current bonded debt, as well as for indebtedness contracted for the Project. Small city school districts, such as the District, are not permitted to exclude such amount from the amount of Total Net Indebtedness.

Additional Borrowing

Following the issuance of the Notes, the District will have authorized and unissued balance of \$7,000,000 pursuant to the \$63,000,000 bond resolution adopted on July 30, 2014.

The District plans to finance said \$7,000,000 aggregate balance in phases over the next year, subject to the constraints of its debt limit and debt contracting margin, as illustrated in Tables 8 and 9 herein. It is expected that the retirement of currently outstanding bonded debt, together with modest annual increases in its debt limit, will enable the District to accomplish all necessary financing, within its debt limit, in the foreseeable future. (See “Authorized but Aggregate Indebtedness” herein.)

On May 16, 2017, the voters approved a bond resolution authorizing the issuance of \$455,000 bonds for the acquisition of school buses and vehicles. Said amount will be financed with a like portion of the Notes.

Short-Term Note Indebtedness

Following the issuance of the Notes the District will have \$53,480,000 in bond anticipation notes which will mature on June 21, 2018.

Authorized but Aggregate Indebtedness

Following the issuance of the Notes, the District will have an authorized and aggregate balance of \$7,000,000 pursuant to the \$63,000,000 bond resolution adopted on July 30, 2014. The District plans to finance said \$7,000,000 aggregate balance in phases over the next year. (See “Additional Borrowing” herein.)

Overlapping and Underlying Debt

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayers' share of overlapping and underlying debt is based on the amount of the District's equalized property values taken as a percentage of each separate unit's total values. The following table presents the amount of overlapping and underlying debt and the District's share of this debt. Authorized but unissued debt has not been included.

TABLE 10
Statement of Direct and Overlapping Indebtedness

| <u>Overlapping Units</u> | <u>Total Net Indebtedness</u> | <u>As of</u> | <u>Percentage Applicable</u> | <u>Applicable Net Indebtedness</u> |
|---------------------------------------|-------------------------------|--------------|------------------------------|------------------------------------|
| County of Chemung | \$44,482,878 | 11/18/16 | 1.62% | \$ 720,622 |
| County of Schuylers | 2,685,000 | 04/29/16 | 2.23% | 59,875 |
| County of Steuben | 2,995,000 | 06/21/16 | 36.58% | 1,095,571 |
| City of Corning | 0 | 12/31/15 | 100.00% | 0 |
| Town of Big Flats | 3,490,000 | 12/31/15 | 1.94% | 67,706 |
| Town of Bradford | 0 | 12/31/15 | 1.32% | 0 |
| Town of Campbell | 3,469,148 | 12/31/15 | 30.35% | 1,052,886 |
| Town of Catlin | 464,000 | 12/31/15 | 34.13% | 158,363 |
| Town of Caton | 0 | 12/31/15 | 99.23% | 0 |
| Town of Corning | 6,277,933 | 12/31/15 | 100.00% | 6,277,933 |
| Town of Dix | 0 | 12/31/15 | 4.56% | 0 |
| Town of Erwin | 10,919,677 | 12/31/15 | 96.93% | 10,584,443 |
| Town of Hornby | 0 | 12/31/15 | 100.00% | 0 |
| Town of Lindley | 0 | 12/31/15 | 99.55% | 0 |
| Town of Orange | 208,443 | 12/31/15 | 19.49% | 40,626 |
| Town of Southport | 0 | 12/31/15 | 0.33% | 0 |
| Village of Painted Post | 1,125,000 | 05/31/15 | 100.00% | 1,125,000 |
| Village of Riverside | 0 | 05/31/15 | 100.00% | 0 |
| Village of South Corning | 1,322,758 | 05/31/15 | 100.00% | <u>1,322,758</u> |
| Total Net Overlapping Debt | | | | \$ 22,505,783 |
| Net Direct Debt | | | | <u>89,810,000</u> |
| Total Net Direct and Overlapping Debt | | | | <u>\$112,315,783</u> |

Source: State Comptroller's Special Report on Municipal Affairs or more recently published Official Statements

Debt Ratios

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

TABLE 11
Debt Ratios

| | <u>Amount</u> | <u>Debt Per Capita</u> ⁽¹⁾ | <u>Debt to Full Value</u> ⁽²⁾ |
|---------------------------------|---------------|---------------------------------------|--|
| Net Direct Debt | \$ 89,810,000 | \$ 2,692 | 3.89% |
| Net Direct and Overlapping Debt | \$112,315,783 | \$ 3,367 | 4.87% |

⁽¹⁾ The population of the District is estimated by District officials to be approximately 33,350.

⁽²⁾ The District's full value of taxable real property based on Special Equalization Rates for fiscal year 2017-18 is \$2,306,162,521.

Debt Service Schedule

The following table shows the debt service requirements to maturity on all of the District’s outstanding bonded indebtedness (as of July 27, 2017).

TABLE 12
Schedule of Principal and Interest on Long-Term Bond Indebtedness

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Total</u> <u>Principal</u> | <u>Total</u> <u>Interest</u> | <u>Total</u> |
|---|----------------------------------|---------------------------------|---------------------|
| 2018 | \$ 4,515,000 | \$ 2,617,838 | \$ 7,132,838 |
| 2019 | 4,475,000 | 2,399,488 | 6,874,488 |
| 2020 | 3,780,000 | 2,182,688 | 5,962,688 |
| 2021 | 5,660,000 | 1,993,688 | 7,653,688 |
| 2022 | 5,660,000 | 1,710,688 | 7,370,688 |
| 2023 | 5,395,000 | 1,427,688 | 6,822,688 |
| 2024 | 5,175,000 | 1,157,938 | 6,332,938 |
| 2025 | 5,240,000 | 899,188 | 6,139,188 |
| 2026 | 5,320,000 | 637,188 | 5,957,188 |
| 2027 | 5,385,000 | 424,388 | 5,809,388 |
| 2028 | 2,215,000 | 155,138 | 2,370,138 |
| 2029 | 1,510,000 | 110,838 | 1,620,838 |
| 2030 | 1,300,000 | 78,750 | 1,378,750 |
| 2031 | 1,065,000 | 39,750 | 1,104,750 |
| 2032 | <u>260,000</u> | <u>7,800</u> | <u>267,800</u> |
| Total: | <u>\$56,955,000</u> | <u>\$15,843,050</u> | <u>\$72,798,050</u> |

Note: Columns may not sum due to rounding.

Source: District Officials

ECONOMIC AND DEMOGRAPHIC DATA

School Enrollment Trends

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

TABLE 13
School Enrollment Trends

| <u>Fiscal Year</u> | <u>Actual</u> <u>Enrollment</u> | <u>Fiscal Year</u> | <u>Projected</u> <u>Enrollment</u> |
|--------------------|------------------------------------|--------------------|---------------------------------------|
| 2014-15 | 4,811 | 2017-18 | 4,800 |
| 2015-16 | 4,814 | 2018-19 | 4,800 |
| 2016-17 | 4,759 | 2019-20 | 4,800 |

Source: District Officials

Population

The District estimates its population to be approximately 33,350. The following table presents population trends for the City, Counties and State, based upon recent census data.

TABLE 14
Population Trend

| | <u>2000</u> | <u>2010</u> | <u>Percentage Change</u> <u>2000/2010</u> |
|-----------------|-------------|-------------|--|
| City of Corning | 11,893 | 11,183 | (6.4%) |
| Steuben County | 98,990 | 98,726 | (0.3%) |
| Schuyler County | 18,343 | 19,224 | 4.80% |
| Chemung County | 95,195 | 88,830 | (7.2%) |
| State | 18,976,457 | 19,378,102 | 2.1% |

Source: U.S. Census Bureau

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the Counties and the State. Data provided for the Counties is not necessarily representative of the District.

TABLE 15
Civilian Labor Force
(Thousands)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Steuben County | 45.8 | 45.6 | 44.3 | 43.8 | 43.2 |
| Schuyler County | 9.0 | 8.9 | 8.7 | 8.4 | 8.3 |
| Chemung County | 40.6 | 39.5 | 38.4 | 37.6 | 36.4 |
| New York State | 9,62.2 | 9,623.1 | 9,570.7 | 9,591.2 | 9,584.5 |

Source: New York State Department of Labor

Unemployment rates are not compiled for the District, but are available for the Counties and State. The following data is not necessarily representative of the District.

TABLE 16
Yearly Average Unemployment Rates

| <u>Year</u> | <u>Steuben</u> <u>County</u> | <u>Schuyler</u> <u>County</u> | <u>Chemung</u> <u>County</u> | <u>State</u> |
|-------------|---------------------------------|----------------------------------|---------------------------------|--------------|
| 2012 | 9.4% | 9.4% | 8.4% | 8.5% |
| 2013 | 8.4% | 8.8% | 7.9% | 7.7% |
| 2014 | 6.9% | 7.0% | 6.3% | 6.3% |
| 2015 | 6.4% | 6.6% | 5.9% | 5.3% |
| 2016 | 5.8% | 6.0% | 5.7% | 4.8% |

Source: New York State Department of Labor

TABLE 17
Monthly Unemployment Rates

| <u>Month</u> | <u>Steuben County</u> | <u>Schuyler County</u> | <u>Chemung County</u> | <u>State</u> |
|--------------|-----------------------|------------------------|-----------------------|--------------|
| May 2016 | 5.3% | 5.0% | 5.2% | 4.2% |
| June | 5.1% | 4.6% | 5.1% | 4.5% |
| July | 5.3% | 4.8% | 5.3% | 5.0% |
| August | 5.0% | 4.6% | 5.2% | 4.9% |
| September | 5.4% | 5.0% | 5.5% | 4.9% |
| October | 5.3% | 4.9% | 5.4% | 4.8% |
| November | 5.3% | 5.7% | 5.2% | 4.5% |
| December | 5.9% | 6.8% | 5.2% | 4.5% |
| January 2017 | 6.5% | 7.5% | 5.7% | 4.9% |
| February | 6.8% | 7.7% | 6.3% | 5.1% |
| March | 5.9% | 6.7% | 5.5% | 4.4% |
| April | 5.4% | 5.7% | 5.3% | 4.2% |
| May | 5.2% | 4.7% | 5.2% | 4.3% |

Source: New York State Department of Labor

TABLE 18
Largest Employers

| <u>Business</u> | <u>Type</u> | <u>Approx. # of Employees</u> |
|----------------------------|-------------------|-------------------------------|
| Corning Incorporated | Manufacturing | 5,000 |
| Arnot Ogden Medical Center | Medical | 1,600 |
| Corning CSD | Education | 1,067 |
| Gunlocke Co., Inc. | Manufacturing | 886 |
| Alstom Transportation | Manufacturing | 839 |
| Dresser Rand | Manufacturing | 698 |
| Corning Hospital | Medical | 585 |
| Kraft Foods | Manufacturing | 445 |
| Sitel | Business Services | 400 |
| World Kitchen | Manufacturing | 350 |

Source: Corning Area Chamber of Commerce

LITIGATION

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

End of Appendix A

APPENDIX B
FINANCIALS

CITY SCHOOL DISTRICT OF THE CITY OF CORNING
General Fund
Balance Sheets
Fiscal Year Ended June 30:

| | <u>2015</u> | <u>2016</u> |
|--|------------------|------------------|
| <u>Assets:</u> | | |
| Cash | \$16,800,561 | \$19,441,680 |
| Due From Other Governments | 1,931,996 | 2,083,248 |
| Accounts Receivable | 417,215 | 342,817 |
| State and Federal Aid Receivable | 1,205,149 | 1,083,150 |
| Due from other Funds | 1,985,592 | 2,120,631 |
| Property Taxes Receivable | 2,572,406 | 81,761 |
| Total Assets | \$24,912,919 | \$25,153,287 |
| <u>Liabilities and Fund Balance:</u> | | |
| Accounts Payable | \$1,070,407 | \$1,130,470 |
| Accrued Liabilities | 1,011,129 | 1,401,698 |
| Due to Retirement Systems | 7,185,538 | 5,376,331 |
| Unavailable and Unearned Revenue | 63,795 | 55,117 |
| Total Liabilities | 9,330,869 | 7,963,616 |
| <u>Fund Balance:</u> | | |
| Nonspendable | 585,535 | 522,864 |
| Restricted | 8,002,852 | 9,267,449 |
| Assigned | 2,891,528 | 3,239,576 |
| Unassigned | 4,102,135 | 4,159,782 |
| | 15,582,050 | 17,189,671 |
| Total Liabilities and Fund Balance | \$24,912,919 | \$25,153,287 |

Source: Audited Financial Statements

CITY SCHOOL DISTRICT OF THE CITY OF CORNING
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Year Ended June 30:

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | |
| Real Property Taxes & Tax Items | \$49,456,004 | \$50,100,830 | \$52,680,054 | \$54,035,571 | \$54,175,026 |
| Charges for Services | 461,433 | 510,931 | 604,534 | 701,251 | 689,190 |
| Use of Money & Property | 243,572 | 203,222 | 155,530 | 81,498 | 87,809 |
| Sale of Prop. & Comp. for Loss | 78,373 | 118,522 | 630,660 | 870,910 | 24,950 |
| Miscellaneous | 3,740,093 | 1,221,751 | 903,163 | 1,712,876 | 1,365,185 |
| State Aid | 31,418,820 | 33,078,177 | 41,574,932 | 41,499,603 | 43,730,691 |
| Federal Aid | 165,496 | 230,451 | 190,948 | 121,674 | 228,918 |
| Total Revenues | <u>85,563,791</u> | <u>85,463,884</u> | <u>96,739,821</u> | <u>99,023,383</u> | <u>100,301,769</u> |
| Expenditures: | | | | | |
| General Support | 10,252,332 | 10,706,012 | 11,055,072 | 11,348,318 | 11,806,908 |
| Instruction | 38,360,841 | 39,014,808 | 41,192,031 | 44,941,741 | 45,528,555 |
| Pupil Transportation | 4,770,560 | 4,581,848 | 4,829,408 | 5,204,013 | 5,391,375 |
| Community Services | 64,940 | 70,084 | 80,976 | 84,836 | 95,527 |
| Employee Benefits | 21,121,273 | 21,641,538 | 24,849,663 | 27,349,138 | 25,770,239 |
| Debt Service | 2,131,950 | 3,775,680 | 8,158,392 | 8,060,867 | 21,584,671 |
| Total Expenditures | <u>76,701,896</u> | <u>79,789,970</u> | <u>90,165,542</u> | <u>96,988,913</u> | <u>110,177,275</u> |
| Excess of Revenues (Expenditures) | 8,861,895 | 5,673,914 | 6,574,279 | 2,034,470 | (9,875,506) |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfer In | 76,260 | 0 | 0 | 0 | 0 |
| Operating Transfer Out | (3,496,779) | (7,001,905) | (5,905,013) | (2,739,159) | 11,483,127 |
| Total Other Financing Sources (Uses) | <u>(3,420,519)</u> | <u>(7,001,905)</u> | <u>(5,905,013)</u> | <u>(2,739,159)</u> | <u>11,483,127</u> |
| Net Change in Fund Balances | 5,441,376 | (1,327,991) | 669,266 | (704,689) | 1,607,621 |
| Adjustments | | | | | |
| Fund Balance - Beg. of Year | <u>11,504,088</u> | <u>16,945,464</u> | <u>15,617,473</u> | <u>16,286,739</u> | <u>15,582,050</u> |
| Fund Balance - End of Year | <u>\$16,945,464</u> | <u>\$15,617,473</u> | <u>\$16,286,739</u> | <u>\$15,582,050</u> | <u>\$17,189,671</u> |

Source: Audited Financial Statements
Summary not Audited

CITY SCHOOL DISTRICT OF THE CITY OF CORNING
General Fund
Statement of Estimated Revenues and Budget Appropriations
Fiscal Year Ending June 30:

| | Adopted Budget <u>2016-17</u> | Adopted Budget <u>2017-18</u> |
|---|-------------------------------------|-------------------------------------|
| Estimated Revenues: | | |
| Real Property Tax | \$50,968,797 | \$51,854,114 |
| Other Tax Items | 3,676,432 | 3,752,093 |
| Charges for Services | 519,500 | 599,500 |
| Use of money and property | 90,000 | 90,000 |
| Sale of property and compensation for loss | 21,500 | 21,500 |
| Miscellaneous | 830,000 | 905,000 |
| State Aid | 45,710,911 | 46,605,997 |
| Federal Aid | 120,000 | 120,000 |
| Subtotal Estimated Revenues | <u>101,937,140</u> | <u>103,948,204</u> |
| Other Sources: | | |
| Interfund Transfers | 1,280,000 | 1,530,000 |
| Appropriated Fund Balance | 1,500,000 | 1,300,000 |
| Total Estimated Revenues & Other Sources | <u><u>\$104,717,140</u></u> | <u><u>\$106,778,204</u></u> |
| Appropriations: | | |
| General Support | \$12,205,128 | \$12,651,555 |
| Instruction | 46,895,955 | 47,785,480 |
| Public Safety and Transportation | 6,158,568 | 6,240,333 |
| Community Services | 121,540 | 124,837 |
| Employee Benefits | 28,152,729 | 28,920,435 |
| Debt Service ⁽¹⁾ | 3,993,104 | 3,197,727 |
| Total Appropriations: | <u>97,527,024</u> | <u>98,920,367</u> |
| Other Uses: | | |
| Interfund Transfers ⁽²⁾ | <u>7,190,116</u> | <u>7,857,837</u> |
| Total Appropriations and Other Uses: | <u><u>\$104,717,140</u></u> | <u><u>\$106,778,204</u></u> |

⁽¹⁾ Budgetary appropriations for Debt Service include bond anticipation note principal and interest and interest on revenue and tax anticipation notes.

⁽²⁾ Budgetary appropriations for Interfund Transfers include principal of and interest on serial bonds, capital outlay project expenditures and transfers to special aid.

Source: School District Officials

APPENDIX C

**INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2016**

**Can be accessed on the Electronic Municipal Market Access (“EMMA”) website
of the Municipal Securities Rulemaking Board (“MSRB”)
at the following link:**

<https://emma.msrb.org/ES991967-ES776536-ES1177846.pdf>

**The audited financial statements referenced above are hereby incorporated into the
attached Official Statement.**

*** Such Financial Statements and opinion are intended to be representative only as
of the date thereof. Lumsden & McCormick, LLP has not been requested by the
District to further review and/or update such Financial Statements or opinion in
connection with the preparation and dissemination of this Official Statement.**

APPENDIX D

Form of Approving Legal Opinion

Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

August 17, 2017

The Board of Education of
City School District of the City of Corning,
in the Counties of Steuben, Schuyler and Chemung, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to City School District of the City of Corning, in the Counties of Steuben, Schuyler and Chemung (the "School District"), a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$14,455,000 Bond Anticipation Note-2017 Series B (the "Note"), dated and delivered the date hereof.

We have examined a record of proceedings relating to the Notes for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

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

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

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

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal

income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences with respect to the Note or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of the interest on the Note, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Note, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the accuracy, sufficiency or completeness of the Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District which have been or may hereafter be furnished or disclosed to purchasers of said Note.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

APPENDIX E

Form of Events Notice Undertaking

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

“Issuer” shall mean **City School District of the City of Corning**, in the Counties of Steuben, Schuyler and Chemung, a School District of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of August 3, 2017.

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

“Securities” shall mean the Issuer’s \$14,455,000 Bond Anticipation Notes-2017 Series B, dated August 17, 2017, maturing on June 21, 2018, and delivered on the date hereof.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

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

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **August 17, 2017**.

**CITY SCHOOL DISTRICT OF THE CITY OF
CORNING**

By _____

President of the Board of Education and Chief Fiscal
Officer