

OFFICIAL STATEMENT

NEW AND RENEWAL ISSUE

BOND ANTICIPATION NOTES

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

The Notes will NOT be designated by the District as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

EAST AURORA UNION FREE SCHOOL DISTRICT ERIE COUNTY, NEW YORK

(the "District")

\$23,550,000

BOND ANTICIPATION NOTES, 2018 A

(the "Notes")

Date of Issue: July 31, 2018

Date of Maturity: July 31, 2019

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 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 (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limitation Law"]; see "TAX INFORMATION-Tax Levy Limitation Law," herein).

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

The Notes may be issued through DTC and, to the extent so issued, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes.

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

The Notes are dated July 31, 2018 and will bear interest from that date until July 31, 2019, the maturity date, at the annual rate as specified by the purchaser of the Notes. The Notes are not subject to redemption prior to maturity.

The Notes are offered when, as and if issued and received by the purchaser and subject to the approval of the legality thereof by Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery on or about July 31, 2018 in Jersey City, New Jersey (through the facilities of DTC) or as otherwise agreed upon between the District and the purchaser.

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

Dated: July 10, 2018

**EAST AURORA UNION FREE SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

**2017-2018
Board of Education**

Ms. MaryBeth Covert President
Ms. Jessica Armbrust Vice President
Mr. Daniel Brunson..... Board Member
Ms. Kimberlee Danieu..... Board Member
Ms. Judy Malys Board Member
Ms. Terri Ohlweiler..... Board Member
Mr. John Sigeti Board Member

Mr. Brian Russ Superintendent of Schools
Ms. Joanne George..... School Business Administrator
Ms. Jacquelyn Wopperer District Clerk
Ms. Julie Nagel District Treasurer

BOND COUNSEL

**HODGSON RUSS LLP
Buffalo, New York**

MUNICIPAL ADVISOR



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

No dealer, broker, salesman or other person has been authorized by the District or the Municipal Advisor to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. 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 set forth herein has been obtained from the District from sources which are believed to be reliable, but it is not to be guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF
EAST AURORA UNION FREE SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

**\$23,550,000
BOND ANTICIPATION NOTES, 2018 A
(the "Notes")**

This Official Statement (the "Official Statement"), which includes the cover page and appendices hereto, presents certain information relating to the East Aurora Union Free School District, Erie County, in the State of New York (the "District," "County" and "State," respectively), in connection with the sale of the District's \$23,550,000 Bond Anticipation Notes, 2018 A (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 of the Notes

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

If the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchaser(s) of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes.

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

The Notes are dated July 31, 2018 and bear interest from that date until July 30, 2019, the maturity date, at the annual rate as specified by the purchaser of the Notes. The Notes are not subject to redemption prior to 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 pursuant to two bond resolutions that were duly adopted by the Board of Education of the District on June 8, 2016, following a successful vote by the qualified voters of the District on May 17, 2016, authorizing the issuance of serial bonds in an amount not to exceed \$21,825,000 for the financing of the reconstruction, rehabilitation and renovation, in part, and the

construction of improvements and upgrades to, various District buildings and facilities and the sites thereof ("Project A") and \$1,725,000 for renovations and upgrades to the District's athletic complex at the High School ("Project B" and, collectively with Project A, the "Projects"). The proceeds of the Notes will be used to redeem and renew in full, an outstanding bond anticipation note of the District that was issued on August 1, 2017, and to provide \$16,228,029 of original financing for the Projects.

Nature of Obligation

The Notes, when duly issued and paid for, will constitute a contract between the District and the holder(s) 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 the power and statutory authorization to levy *ad valorem* taxes on all taxable real property in the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law); see "TAX INFORMATION-Tax Levy Limitation Law," herein.

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. On June 24, 2011, the Tax Levy Limitation Law was adopted in the State. The Tax Levy Limitation Law established certain limitations on the power of local governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). The Tax Levy Limitation Law had its first application with respect to the District's budget for Fiscal Year 2012-2013. The Tax Levy Limitation Law does make certain allowances for the exclusion of tax levy increases associated with capital expenses by school districts. See "TAX INFORMATION-Tax Levy Limitation Law," herein. Also, certain special protective procedures and remedies available to holders of school district debt remain in place and are not affected by the Tax Levy Limitation Law. See "DISTRICT INDEBTEDNESS—Remedies Upon Default," herein.

Book-Entry-Only System

The following applies to the extent that the Notes are issued in book-entry form. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note which bears the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC. One fully registered note certificate will be issued and deposited with DTC for each maturity of the Notes in the aggregate principal amount of the issue. 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 the 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 affect 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. Redemption notices shall be sent to DTC. If less than all of the securities 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.

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 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).

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 to DTC.

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

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE 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 OBLIGATION 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.

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

Source: The Depository Trust Company

MARKET FACTORS

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part on financial assistance from the State in the form of State aid. No delay in payment of State aid for the remainder of the District's current fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in this year or future years, the District may be affected by a delay, until sufficient State taxes have been received by the State to make State aid payments to the District.

The State's enacted budget for the fiscal year ending March 31, 2019 allows the State to reduce aid to municipalities and school districts mid-year if receipts from the federal government are less than what was expected. If federal support is reduced by \$850 million or more, the State's Budget Director has the authority to develop a plan to make uniform spending reductions. The State Legislature would have 90 days to approve the Budget Director's plan or to propose an alternative plan. If no action is taken by the State Legislature, the Budget Director's plan would be implemented automatically.

Should the District fail to receive moneys expected from the State in the amounts and at the times expected, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The market for the Notes could also be affected if the Code were to be amended to reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. See the discussion in "TAX EXEMPTION" herein.

TAX EXEMPTION

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

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

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

1. The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Code Section 141;
2. The requirements contained in Code Section 148 relating to arbitrage bonds; and
3. The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code Section 149(b).

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

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

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

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the District shall furnish certificates, dated the date of delivery of the Notes, respectively, 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. Additional certificates will state 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 Hodgson Russ LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit, and all the taxable real property within the District is subject to the levy of *ad valorem* real estate taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of the State). Such opinion shall also contain further statements to the effect

that (a) the enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) such law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which has been or may have been furnished or disclosed to purchasers of the Notes, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

Closing Certificates

Upon the delivery of the Notes, the purchaser will be furnished with the following items: (i) a certificate of the President of the Board of Education 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; (iii) a closing 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 levy and 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, (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (iv) a nonarbitrage certificate and a tax certificate executed by the President of the Board of Education of the District, as described under "TAX EXEMPTION" herein.

DISCLOSURE UNDERTAKING

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, unless the Notes are purchased for the buyer's own account as principal for investment and not for resale, the District will provide an executed copy of its "Undertaking to Provide Notice of Certain Designated Events" (the "Undertaking"). Such Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to (i) the Electronic Municipal Market Access ("EMMA") system established and operated by the Municipal Securities Rulemaking Board ("MSRB") currently at <http://www.emma.msrb.org>, or such other similar system established and operated by the MSRB, and (ii) the appropriate state information depository ("SID"), if any, for the State of New York, as designated by the Commission in accordance with the Rule, notice of the occurrence of any of the following events with respect to the Notes in a timely manner (i.e., not in excess of ten business days after the occurrence of the event):

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) bond and note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially

all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of the name of a trustee, if material.

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

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

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

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

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Notes.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with the Rule as then in effect.

Prior Disclosure History

On March 12, 2018 the District filed a material event notice on EMMA for a Moody’s Ratings change from “Aa3” to “A1” which occurred on February 13, 2018.

Other than as described above, for the foregoing past five years, the District has complied, in all material respects, with its continuing disclosure undertakings.

RATINGS

The District did not apply for a rating on the Notes.

Moody’s Investors Service (“Moody’s”) has previously assigned an underlying rating of “A1” with a negative outlook to the outstanding uninsured indebtedness of the District.

With respect to the ratings, such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency. 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 such bonds or the availability of a secondary market for the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinions or estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District files with the repositories. When used in District documents or oral presentations, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

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

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

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The 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.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC has acted as 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 the District's Business Administrator, Joanne George, 430 Main Street, East Aurora, New York 14052, phone: (716) 687-2303, email: jgeorge@eak12.org or from the District's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

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

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

**East Aurora Union Free School District
Erie County, New York**

By: *MaryBeth Covert*
Ms. MaryBeth Covert
President of the Board of Education

DATED: July 10, 2018

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The District, which was formed in 1875, comprises an area of approximately 36 square miles, and has a current estimated population of 20,000. It is located in the south-central portion of Erie County about sixteen miles southeast of Buffalo. On a valuation basis, the District includes the Village of East Aurora (the “Village”) and portions of the Towns of Aurora, Colden and Elma (each a “Town” and collectively, the “Towns”). Portions of the District closest to Buffalo are suburban in character while outlying areas are more rural. There has been recent growth in the number of single family residences, garden apartments and town houses. Most residents of the District are employed in business, industry and professions in Buffalo or elsewhere on the Niagara Frontier. There is some light industry within the District, but plants and businesses represent a small portion of the property tax rolls.

The District’s historical sites include the homes of President Millard Fillmore and Elbert Hubbard. Hubbard’s work as a highly celebrated promoter of artisans and self-sufficiency is still seen today in the special character of the Village and the Roycroft movement. The community still has many artisans and has secured landmark status for many of its historical buildings which blend into the residential community.

With at least a dozen colleges and universities in the Buffalo metropolitan area, education advancement opportunities are abundant. Swimming, boating and water sports in Lakes Erie and Ontario are enjoyed in the summers, while excellent skiing is available in the winters. The Buffalo area also boasts professional football, hockey, baseball and indoor lacrosse teams.

Transportation is provided through the District on Interstates Route 20A and Route 16 from Buffalo to the southern tier. Bus service is provided by the Niagara Frontier Transportation Authority (Metro) on a regular, commuter basis. Major airlines operate from the Buffalo-Niagara International Airport, a 25-minute drive from the District. The New York State Thruway and several railroads also serve the area.

The District’s residents receive fire protection from the Village’s volunteer fire companies. Police protection is provided by the Village Police Department, the County Sheriff’s Department and the State Police. Water and sewer services are provided by the County Water Authority.

The following banks have one or more offices within the District: Bank of America, Bank of Holland, Citizens Bank, Five Star Bank, KeyBank and M&T Bank.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law and other laws generally applicable to the District including The General Municipal Law and The Real Property Tax Laws. 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 (the “Board”). Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board. Board members are generally elected for a term of three years.

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

The major administrative officers of the District, whose duty it is to implement the policies of the Board and who are appointed by the Board, include the Superintendent of Schools, the School Business Administrator, the District Treasurer and the District Clerk.

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 Business Administrator and the District Treasurer.

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 the 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 of May each year. Summaries of the District's adopted budgets for the current and previous fiscal year may be found in Appendix B, attached hereto.

The voters approved the District's 2018-19 budget on May 15, 2018.

Financial Statements and Accounting Procedures

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and financial statements prepared in accordance with generally accepted accounting principles are available for public inspection upon request. A copy of the District's most recent completed audited financial statement is contained in Appendix C.

School Enrollment Trends

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

TABLE 1
School Enrollment Trends

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2015-16	1,763	2018-19	1,752
2016-17	1,763	2019-20	1,737
2017-18	1,801	2020-21	1,731

Source: District Officials.

District Facilities

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

TABLE 2
District Enrollment

<u>Names</u>	<u>Grades</u>	<u>Enrollment For 2017-18</u>
High School	9-12	658
Middle School	5-8	500
Parkdale Elementary School	K-4	<u>603</u>
	Total:	<u>1,761</u>

Employees

The District provides services through both full-time and part-time employees, all of whom are represented by the following units of organized labor.

TABLE 3
Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
147	East Aurora Faculty Association	6/30/20
104	East Aurora School District CSEA	6/30/20
6	East Aurora Administrators' Association	6/30/20

Source: District Officials.

Employee Pension Benefits

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

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS" and, collectively with the ERS, the "Retirement Systems"). Payments to the Retirement Systems are deducted from the 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.

The following table details the District's actual required contributions to the ERS for the preceding three audited fiscal years and the amounts budgeted for the current fiscal year and the prior fiscal year ended June 30:

<u>Fiscal Year End 3/31</u>	<u>ERS</u>
2019 <i>Budgeted</i>	\$538,359
2018 <i>Budgeted</i>	518,344
2017	451,006
2016	505,302
2015	547,236

Source: Audited Financial Statements and District Officials.

The following table details the District's actual required contributions to the TRS for the preceding three audited fiscal years and the amounts budgeted for the current fiscal year and the prior fiscal year ended June 30:

<u>Fiscal Year End 6/30</u>	<u>TRS</u>
2019 <i>Budgeted</i>	\$1,211,595
2018 <i>Budgeted</i>	1,036,383
2017	1,259,298
2016	1,379,121
2015	1,797,632

Source: Audited Financial Statements and District Officials.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. Under Tier 5, new ERS employees would contribute

3% of their salaries and new TRS employees would contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law 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 three years to five 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 11.72% applicable to 2016-17 salaries. This is a decrease of 12% from last year's rate of 13.26%. The 2017-18 rate is expected to be 9.80%.

Due to poor performance of the investment portfolio of the State Retirement System in the wake of the 2008-09 recession, New York State Comptroller Thomas DiNapoli announced that the employer contribution rates for required pension contributions to the SRS would 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 has not opted into the pension amortization 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 TRS SCO deferral plan is available to school districts for the next seven years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

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

Other Post-Employment Benefits

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

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

The District is in compliance with the requirements of GASB 75, and a summary of the actuarial valuation is included in the District's June 30, 2017 Financial Audit included herein. The following table summarizes the District's annual OPEB statements for the year ended June 30, 2017:

As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2016	\$27,035,431
OPEB previously reported	798,276
Total OPEB liability	(2,284,773)
Amounts paid by the District subsequent to the measurement date	<u>0</u>
Net position as restated	<u>\$25,584,934</u>

Information on beginning of year deferred outflows and deferred inflows of resources, and all information for the prior year, is not available and therefore such amounts have not been restated.

Changes in the Total OPEB Liability	Total OPEB Liability
Balance as of June 30, 2016	<u>\$2,284,773</u>
Changes for the year:	
Service cost	98,916
Interest	73,842
Change in benefit terms	-
Differences between expected and actual experience	117,614
Changes of assumptions or other inputs	(81,185)
Benefit payments	<u>(179,436)</u>
Net changes	<u>29,751</u>
Balance as of June 30, 2017	<u>\$2,314,524</u>

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, tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those 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, 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

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the most recent five-year periods ending June 30 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Real Property Taxes

The District derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund” in Appendix B, herein). Property taxes accounted for 62.8% of total general fund revenues for the fiscal year ended June 30, 2017, while State aid accounted for 26.5%.

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

TABLE 4
Property Taxes

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Total</u> <u>Revenues</u>	<u>Real Property</u> <u>Taxes</u> ⁽¹⁾	<u>Real Property</u> <u>Tax Revenues to</u> <u>Revenues</u>
2013	\$27,973,477	\$17,824,293	63.7%
2014	28,170,904	18,069,024	64.1%
2015	29,044,418	16,334,485	56.2%
2016	30,605,070	18,962,486	61.9%
2017	30,510,006	19,171,964	62.8%
2018 <i>Budgeted</i>	33,234,373	20,465,729	61.2%
2019 <i>Budgeted</i>	34,331,912	21,589,140	62.9%

⁽¹⁾ General Fund only. Includes Real Property Tax and Real Property Tax Items, including interest and penalties.

Source: Audited Financial Statements and Adopted Budgets of the District.

State Aid

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

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

TABLE 5
State Aid

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>State Aid</u> ⁽¹⁾	<u>Total Revenues</u> <u>Consisting of State Aid</u>
2013	\$27,973,477	\$7,584,140	27.1%
2014	28,170,904	7,454,782	26.5%
2015	29,044,418	7,716,564	26.6%
2016	30,605,070	8,043,722	26.2%
2017	30,510,006	8,392,383	27.5%
2018 <i>Budgeted</i>	33,234,373	8,794,735	26.5%
2019 <i>Budgeted</i>	34,331,912	9,622,137	28.0%

⁽¹⁾ General Fund only.

Source: Audited Financial Statements and Adopted Budgets of the District.

In addition to the amount of State Aid budgeted by the District in its 2017-18 and 2018-19 fiscal years, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR (see "STAR-School Tax Exemption") Program.

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

While certain increases in State aid following this case have been targeted to high-needs schools and other schools did share in the overall increase of State aid, the District is unable to predict whether this pattern of distribution will continue beyond that which is included in later legislation dealing with foundation aid.

Increased State aid for New York City schools and other high-needs schools may result in reductions in the future of State aid to certain school districts, including the District.

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

In addition, from January 21 through March 12, 2015 a follow-up lawsuit involving eight small cities called *Maisto v. State of New York*, aka the Small Cities Lawsuit, was heard in court in Albany. The case involves: Niagara Falls, Jamestown, Utica, Kingston, Port Jervis, Poughkeepsie, Newburgh and Mount Vernon. The Plaintiffs in the *Maisto* case contend that the failure of the State to adequately fund schools denies students in all eight districts the basic resources they need for a sound basic education. The *Maisto* districts are all reported to have low property wealth, higher than average local tax rates, significant family poverty and high student need. The case on State aid continues to move forward, as in the fall of 2017, the Appellate Division reversed the earlier Supreme Court rule and issued an order that the lower court reconsider the case based on the facts.

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

The Gap Elimination Adjustment ("GEA") law was first introduced for the 2010-11 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then \$10 billion budget deficit. Under legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since the program began, the GEA and Deficit Reduction Assessment reduction in State aid for the District has amounted to approximately \$1.28 million annually. As a result, the District has been forced to reduce programs, services, and staff accordingly. Beginning in the 2014-15 fiscal year, the State made modest restorations to the GEA. In the 2014-15 fiscal year, the GEA was reduced by \$181,383, dropping the total GEA to \$1.10 million. In the 2015-16 fiscal year, it has been further reduced by \$402,239, yielding a remaining annual GEA figure of \$700,056. In the 2016-17 fiscal year, the GEA was eliminated.

The Smart Schools Bond Act was approved by the State's voters in 2014. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of such funds is \$685,101. The District has not yet developed its plans for the utilization of such funds.

The District presently anticipates an increase in its State aid not related to building aid for its 2018-19 fiscal year of \$633,093.

It should also be noted that the District receives federal aid for certain programs. In its last audited fiscal year, the District received \$129,384 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.

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. The State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget.

The State's enacted budgeted for the fiscal year ending March 31, 2019 allows the State to reduce aid to municipalities and school districts mid-year if receipts from the federal government are less than what was expected. If federal support is reduced by \$850 million or more, the State's Budget Director has the authority to develop a plan to make uniform spending reductions. The State Legislature would have 90 days to approve the Budget Director's plan or to propose an alternative plan. If no action is taken by the State Legislature, the Budget Director's plan would be implemented automatically.

No delay in payment of State aid for the District's 2018-19 fiscal year is presently anticipated, although no assurance can be given that there will not be a delay in payment. Should the District fail to receive monies expected from the State in the amounts and at the times expected, the District is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

Other Revenues

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

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 Towns. Assessment valuations are determined by the town assessor and the State Board of Real Property Services, which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

TABLE 6
Real Property Tax Assessments and Rates
(Fiscal Years Ending June 30:)

Fiscal Year:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town of Aurora					
Assessed Value	\$481,644,429	\$485,921,791	\$488,615,260	\$489,243,511	\$494,851,487
Equalization Rate ⁽²⁾	41.00%	40.00%	40.00%	38.00%	35.00%
Full Value	1,174,742,510	1,214,804,478	1,221,538,150	1,287,482,924	1,413,861,392
Tax Rate ⁽¹⁾	36.21	36.86	37.58	37.91	40.13
Town of Colden					
Assessed Value	1,743,035	1,766,706	1,764,873	1,746,158	1,745,681
Equalization Rate ⁽²⁾	45.00%	43.00%	43.00%	44.00	41.00%
Full Value	3,873,411	4,108,619	4,104,356	3,968,541	4,257,759
Tax Rate ⁽¹⁾	32.99	34.29	34.95	32.74	34.26
Town of Elma					
Assessed Value	1,623,335	1,653,340	1,652,018	1,654,643	1,668,876

Equalization Rate ⁽²⁾	4.90%	4.70%	4.60%	4.40	4.28%
Full Value	33,129,286	35,177,447	35,913,435	37,605,523	38,992,430
Tax Rate ⁽¹⁾	303.00	313.70	326.77	327.38	328.16
Total:					
Assessed Value	\$485,010,799	\$489,341,837	\$492,032,151	\$492,644,312	\$498,266,044
Full Value	\$1,211,745,207	\$1,254,090,544	\$1,261,555,941	\$1,329,056,988	\$1,457,111,581
Tax Levy	\$17,991,247	\$18,490,000	\$18,962,486	\$19,144,742	\$20,465,729

(1) Per \$1,000.

(2) The equalization rates shown here were used to apportion the school tax levies and may not be the same as those required for debt limit purposes.

Source: District Officials.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that certain of the State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school 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, it means that 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 "Significant Fiscal Stress" (see <http://www.osc.state.ny.us/localgov/fiscalmonitoring/schools/pdf/2017/summary-list.pdf>).

New York State Comptroller's Audit

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 February 24, 2017, OSC released an audit of the District. The purpose of the audit was to determine if the Board ensured that extra-classroom activity funds were properly accounted for during the period July 1, 2014 through June 13, 2016. The complete report can be found at <http://www.osc.state.ny.us/localgov/audits/schools/2017/eastaurora.pdf>.

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. The District is not subject to constitutional real property taxing limitations. See, however, the discussion immediately below under the subheading "Tax Levy Limitation Law," herein.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City). The discussion herein does not include school districts in New York City, Buffalo, Rochester, Syracuse, or Yonkers.

On June 25, 2015, Chapter 20 of the 2015 Laws of New York (“Chapter 20”) amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. Chapter 20 also affects the calculation of tax base growth factor and exclusions available to school districts, and introduces a new real property tax rebate, as outlined below.

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

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments are permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. Chapter 20 additionally allows the State Commissioner of Taxation and Finance to adjust for changes in the real property base to reflect development on tax exempt real property, although no such regulations have been promulgated.

Beginning with the 2012-13 fiscal year, school districts have had to submit their proposed tax levies to the voters each year. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a budget by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation only require approval by at least a simple majority of those voting. In the event that a budget is defeated and not re-proposed, or in the event of two budget vote defeats in the same year, a school district may not levy taxes in an amount greater than the amount levied in the most recent year when a budget was approved. A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year’s budget.

There are exceptions for school districts to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. Capital Local Expenditures do not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures” are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. Chapter 20 also allows the State Commissioner of Taxation and Finance to adjust the exclusion to reflect a school district’s share of capital expenditures related to projects funded through a board of cooperative education services (“BOCES”). The portion of the tax levy necessary to support “Capital Local

Expenditures” is defined as the “Capital Tax Levy”, and this is an exclusion from the tax levy limitation (except in a case when the District would be prohibited from raising the tax levy amount at all due budget vote results, as explained above).

Real Property Tax Rebate (Chapter 20)

Chapter 20 introduced a new real property tax rebate program that provides State-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (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”) received \$130, and eligible taxpayers who reside outside the MCTD received \$185. Credits in 2017-2019 vary based on a taxpayer’s personal income level and STAR tax savings.

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. 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 tax rebate provisions 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.

Tax Collection Procedure

The real property taxes of the District are collected by the Towns. Such taxes are due on September 15, and may be paid without penalty through October 15. The Towns pay to the District the amounts collected on a periodic basis. The penalty on unpaid taxes is 5% from October 16 to October 31 and additional 1% for each month thereafter. On or about December 1, the Towns file reports of any uncollected District taxes with the County. The County thereafter (on or before April 1) pays to the District the full amount of its uncollected taxes. Thus, the full amount of the District’s real property tax levy is collected by the District in the fiscal year of the levy. The County has the power to issue and sell tax anticipation notes to fund the reimbursement of uncollected taxes due to the District.

The District is not responsible for the collection of taxes of any other unit of government.

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 2018-19 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

<u>Town of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
Aurora	\$23,380	\$10,500
Colden	27,390	12,300
Elma	2,860	1,280

Date Certified: 04/09/18

The enhanced or basic STAR exemption is the amount that an assessment is reduced prior to the levy of school taxes. For example, the owner of a house that is assessed at \$150,000, assuming an enhanced STAR exemption of \$50,000, would pay school taxes on a taxable assessment of \$100,000 (\$150,000 - \$50,000).

Since the 2011-12 school tax bills, there has been a 2% limit on STAR savings increases, the savings results from the Basic or Enhanced STAR exemptions are limited to a 2% increase over the prior year. When school districts initially calculate 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 Towns within the District for the 2018-19 are as follows:

<u>Town of:</u>	<u>Basic Maximum Savings</u>	<u>Enhanced Maximum Savings</u>
Aurora	\$467	\$996
Colden	440	957
Elma	442	964

Updated: 03/27/18

The District received full reimbursement of such exempt taxes from the State during the current fiscal year and expects to receive full reimbursement of such exempt taxes from the State during the 2018-19 fiscal year.

Ten of the Largest Taxpayers

The following table presents the taxable valuations of ten of the largest taxpayers of the District on the 2017 Assessment Roll of the Town of Aurora used to levy 2017-18 taxes.

**TABLE 7
Taxable Assessments**

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u> ⁽¹⁾	<u>Percentage of Assessed Valuation</u>
Fisher Price Inc.	Manufacturing	\$6,988,600	1.43%
292 Main St. LLC	Nursing Home	6,608,400	1.35%
NYS Electric & Gas	Utility	4,999,599	1.02%
National Fuel Gas	Utility	4,686,250	0.96%
East Aurora Lodging Assoc. LLC	Hotel	3,040,000	0.62%
EA Management Group LLC	Commercial Plaza	2,823,500	0.58%
427 Mill Street Inc.	Apartments	2,330,100	0.48%
Knox-Grey Associates LLC	Commercial Plaza	2,037,400	0.42%
BNY-EAC-I,LLC	Commercial Plaza	1,736,400	0.35%
Aurora Bethune LLC	Real Estate	<u>1,420,300</u>	<u>0.29%</u>
	Totals:	<u>\$37,246,241</u>	<u>7.61%</u>

⁽¹⁾ The District's 2017-18 Assessed Valuation is \$492,644,312.

Source: District Officials.

DISTRICT INDEBTEDNESS

Constitutional 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 and statutory 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, as has been noted under “THE NOTES -- Nature of Obligations” herein, 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. See, however, the discussion under “TAX INFORMATION--Tax Levy Limitation Law,” herein.

Statutory Procedure

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

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

The Local Finance Law also provides a 20-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops 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 bond resolutions pursuant to which the Notes are being issued.

The Board, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principal amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

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

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject

to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

Statutory Debt Limit and Net Indebtedness

The debt limit of the District is \$145,711,158. This is calculated by taking 10% of the current full value of the taxable real property of the District.

TABLE 8
Statutory Debt Limit and Net Indebtedness
(As of July 10, 2018)

<u>Town</u>	<u>2017 Roll Assessed Valuation</u>	<u>Equalization Rate</u>	<u>Full Valuation</u>
Aurora	\$494,851,487	35.00%	\$ 1,413,861,392
Colden	1,745,681	41.00%	4,257,759
Elma	1,668,876	4.28%	<u>38,992,430</u>
Total Full Valuation of Taxable Real Property			\$1,457,111,581
Debt Limit (10% of Full Valuation)			\$145,711,158
Outstanding Indebtedness (Principal Only):			
Bonds			19,190,000
BANs			8,261,845
Less: Exclusions ⁽¹⁾			<u>0</u>
Total Net Indebtedness			<u>\$27,451,845</u>
Net Debt-Contracting Margin			<u>\$118,259,313</u>
Percentage of Debt-Contracting Margin Exhausted			<u>18.83%</u>

⁽¹⁾ In prior years the District received State debt service building aid in a calculated amount of approximately 66.1% of its outstanding bonded indebtedness. Given the "assumed amortization" of State building aid as provided in Chapter 383 of the Laws of 2001, no assurance can be given regarding the direct or indirect effect that "assumed amortization" will have on the timing or amount of such building aid in connection with school facilities financed with the proceeds of the issuance of bonds or notes. See also "State Aid" herein.

Source: District Officials.

Remedies Upon Default

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State of New York (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.

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

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

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

There is in the State Constitution, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "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 such indebtedness."

The constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes, or bond anticipation notes.

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

Short-Term Note Indebtedness

The District has \$939,874 and \$7,321,971 outstanding bond anticipation notes maturing August 1, 2018 and June 27, 2019, respectively. The bond anticipation note maturing on August 1, 2018 will be redeemed and renewed, in full, with a portion of the proceeds of this Note.

Outstanding Long-Term Bond Indebtedness

The following table provides information relating to long-term bond indebtedness outstanding at year-end for the last five audited fiscal years:

TABLE 9
Outstanding Long-Term Bond Indebtedness

Fiscal Year	Total Bonded Debt
<u>Ending June 30:</u>	<u>Total Bonded Debt</u>
2013	\$2,455,000
2014	18,785,000
2015	16,940,000
2016	22,570,000
2017	20,890,000

Source: Audited Financial Statements and District Officials.

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>Issuer</u>	<u>Net Debt</u>	<u>As of</u>	<u>District</u>	<u>Amount Applicable</u>
	<u>Outstanding</u>		<u>Share</u>	<u>To District</u>
Erie County	\$475,089,545	09/30/17	2.65%	\$12,589,872
Town of Aurora	2,727,000	12/31/16	96.82%	2,677,914
Town of Colden	1,977,255	2/24/16	0.32%	6,327
Town of Elma	0	2/24/16	2.84%	<u>0</u>
Total Net Overlapping Debt				\$ 15,274,113
Total Net Direct Debt				<u>27,451,845</u>
Net Direct and Overlapping Debt				<u>\$ 42,725,958</u>

Source: State of New York Office of the State Comptroller and 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</u>	<u>Debt to</u>
		<u>Capita</u> ⁽¹⁾	<u>Full Value</u> ⁽²⁾
Net Direct Debt	\$27,451,845	\$1,372	2.07%
Net Direct and Overlapping Debt	\$42,725,958	\$2,136	3.21%

⁽¹⁾ The population of the District is currently estimated by District officials to be 20,000.

⁽²⁾ The District's full value of taxable real property for fiscal year 2017-18 is \$1,329,056,988.

Authorized but Unissued Indebtedness

Following the issuance of the Notes, the District will have \$295,487 of authorized but unissued indebtedness which it expects to issue in June 2019.

Debt Service Schedule

The following table shows the debt service requirements to maturity on the District’s outstanding bonded indebtedness as of July 2, 2018.

**TABLE 12
Bond Principal and Interest Maturity Table**

Fiscal Year	Principal	Interest	Total
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2019	\$ 1,720,000	\$ 742,525	\$ 2,462,525
2020	1,755,000	660,550	2,415,550
2021	1,795,000	576,800	2,371,800
2022	1,835,000	500,850	2,335,850
2023	1,880,000	422,950	2,302,950
2024	1,925,000	333,075	2,258,075
2025	1,580,000	250,925	1,830,925
2026	1,365,000	190,063	1,555,063
2027	1,410,000	141,119	1,551,119
2028	1,405,000	101,375	1,506,375
2029	1,450,000	57,188	1,507,188
2030	585,000	26,750	611,750
2031	<u>485,000</u>	<u>12,125</u>	<u>497,125</u>
Totals:	<u>\$19,190,000</u>	<u>\$4,016,293</u>	<u>\$23,206,293</u>

ECONOMIC AND DEMOGRAPHIC DATA

Population

The District estimates its population to be approximately 20,000. The following table presents population trends for the County and State, based upon recent census data. Data provided in the following table is not necessarily representative of the District.

**TABLE 13
Population Trend**

	<u>2000</u>	<u>2010</u>	Percentage Change
			<u>2000-2010</u>
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: U.S. Census.

Employment and Unemployment

Employment and unemployment data are not compiled for the District or the Towns or the Village in the District. The following tables provide information concerning employment and unemployment in the County and State. Data provided in the following tables is not necessarily representative of the District.

TABLE 14
Civilian Labor Force
(Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town	15.3	15.4	15.4	15.4	15.4
County	460.3	450.4	451.2	448.1	448.6
State	9,659.2	9,591.3	9,644.6	9,668.7	9,704.7

Source: New York State Department of Labor, Bureau of Labor Statistics.

TABLE 15
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2013	7.4%	7.7%
2014	6.1%	6.3%
2015	5.3%	5.3%
2016	4.9%	4.8%
2017	5.2%	4.7%

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

TABLE 16
Monthly Unemployment Rates

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
May 2017	5.2%	4.9%	4.4%
June	5.1%	5.0%	4.6%
July	5.4%	5.3%	4.9%
August	5.4%	5.2%	4.9%
September	5.0%	4.9%	4.7%
October	4.7%	4.8%	4.4%
November	5.2%	5.0%	4.4%
December	5.6%	5.2%	4.4%
January 2018	6.1%	5.8%	5.1%
February	6.3%	6.1%	5.1%
March	4.3%	5.6%	4.8%
April	3.9%	4.9%	4.4%

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

TABLE 17
Five Largest Employers

<u>Name</u>	<u>Type of Product or Service</u>	<u>Approximate Number of Employees</u>
Fisher Price	Manufacturing	800
Aurora Park Health Care Center	Healthcare	380
E-L Products	Manufacturing	327
East Aurora Union Free School District	Public Education	304
API Delevan Division	Manufacturing	85

Source: District Officials.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District after consultations with its attorneys, 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

East Aurora Union Free School District
Statement of Budgeted Appropriations and Estimated Revenues
General Fund
Fiscal Year Ending June 30:

	<u>Adopted</u> <u>2017-18</u>	<u>Adopted</u> <u>2018-19</u>
<u>Revenues:</u>		
Real Property Taxes	\$20,465,729	\$21,589,140
Other Tax Items	2,000,000	2,000,000
Miscellaneous	1,573,909	494,487
Reserves	400,000	208,000
State Aid	8,794,735	9,622,137
Subtotal	33,234,373	33,913,764
Appropriated Fund Balance	0	418,148
Total Est. Revenue and Fund Balance	\$33,234,373	\$34,331,912
 <u>Appropriations:</u>		
Instruction	\$17,803,560	\$18,213,094
General Support	4,562,943	4,858,976
Employee Benefits	6,195,070	6,701,183
Transportation	1,899,500	1,901,798
Interfund Transfers/Debt/Service	2,773,300	2,656,861
Total Appropriations	\$33,234,373	\$34,331,912

Source: Adopted Budgets of the District.

East Aurora Union Free School District
Comparative Balance Sheet
General Fund
Fiscal Year Ending June 30:

	<u>2016</u>	<u>2017</u>
<u>Assets:</u>		
Cash	\$2,387,499	\$1,360,000
Due From Other Governments	1,046,929	1,019,953
State and Federal Aid Receivable	195,993	196,523
Due from Other Funds	460,291	248,351
Total	<u>\$4,090,712</u>	<u>\$2,824,827</u>
<u>Liabilities:</u>		
Accounts Payable	\$31,687	\$28,160
Accrued Liabilities	67,970	255,831
Due to Retirement Systems	1,515,821	1,413,483
	<u>1,615,478</u>	<u>1,697,474</u>
<u>Fund Balances:</u>		
Nonspendable:		
Repair	393,202	393,356
Capital Projects	1,133	1,133
Employee Benefit Accrued Liability	602,049	182,784
Retirement Contribution	4,838	5,253
Property loss and liability	41,592	41,609
Assigned:		
Designated for Subsequent Year's Expenditures	400,000	0
Other Purposes	197,904	0
Unassigned	834,516	503,218
Total Fund Equity	<u>2,475,234</u>	<u>1,127,353</u>
Total Liabilities and Fund Equity	<u>\$4,090,712</u>	<u>\$2,824,827</u>

Source: Audited Financial Statements of the District (although this summary table itself has not been audited).

East Aurora Union Free School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Fiscal Year Ending June 30:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$15,645,631	\$15,863,932	\$16,334,485	\$16,800,327	\$17,020,681
Real Property Tax Items	2,178,662	2,205,092	2,224,927	2,268,400	2,151,283
Non-Property Tax Items	1,950,203	1,989,043	1,987,052	1,987,785	2,006,390
Charges for Services	276,905	230,061	296,690	452,493	357,255
Use of Money and Property	97,154	83,751	94,786	91,040	100,895
Sale of Property	0	6,748	0	4,055	1,575
Miscellaneous	216,341	313,665	211,692	249,944	350,160
State Sources	7,584,140	7,454,782	7,716,564	7,779,863	8,392,383
Federal Sources	24,441	23,830	178,222	107,150	129,384
Total Revenues	<u>27,973,477</u>	<u>28,170,904</u>	<u>29,044,418</u>	<u>29,741,057</u>	<u>30,510,006</u>
Expenditures:					
General Support	3,847,559	3,809,673	3,795,612	4,028,301	4,082,307
Instruction	14,851,903	15,404,901	15,397,251	16,162,228	17,725,313
Pupil Transportation	1,581,839	1,614,345	1,345,067	1,510,989	1,866,099
Employee Benefits	5,778,073	6,121,990	6,566,365	6,119,278	6,120,023
Debt Service	2,267,826	2,336,165	3,113,293	3,040,058	2,606,792
Total Expenditures	<u>28,327,200</u>	<u>29,287,074</u>	<u>30,217,588</u>	<u>30,860,854</u>	<u>32,400,534</u>
Excess Revenues (Expenditures)	(353,723)	(1,116,170)	(1,173,170)	(1,119,797)	(1,890,528)
Other Sources and (Uses):					
Operating Transfers - Net	<u>(9,983)</u>	<u>(97,812)</u>	<u>(686,222)</u>	<u>648,389</u>	<u>542,647</u>
Excess Revenues (Expenditures) and other sources (uses)	(363,706)	(1,018,358)	(486,948)	(471,408)	(1,347,881)
Fund Balance - Beg. of Fiscal Year	<u>4,815,654</u>	<u>4,451,948</u>	<u>3,433,590</u>	<u>2,946,642</u>	<u>2,475,234</u>
Fund Balance - End of Fiscal Year	<u>\$4,451,948</u>	<u>\$3,433,590</u>	<u>\$2,946,642</u>	<u>\$2,475,234</u>	<u>\$1,127,353</u>

Source: Audited Financial Statements of the District (although this summary table itself has not been audited).

APPENDIX C

**INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**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/ER1095571-ER857237-ER1257891.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.**