

OFFICIAL STATEMENT

NEW AND RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Barclay Damon, LLP, Albany, New York, Bond Counsel, under existing law (A) interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Internal Revenue Code of 1986, as amended (the "Code"), except that (1) interest on the Notes is included in the adjusted current earnings of corporations for purposes of calculating corporate alternative minimum taxable income for federal income tax purposes, and (2) 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 thereof, and (B) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX EXEMPTION" herein.

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

CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA ERIE COUNTY, NEW YORK

\$7,600,000 BOND ANTICIPATION NOTES, 2017 (the "Notes")

Date of Issue: July 11, 2017

Maturity Date: November 15, 2017

The Notes are general obligations of the City School District of the City of Lackawanna, Erie County, New York (the "District"). The District has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount. See "Appendix A - 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 may be registered in the name of the purchaser.

If the Notes are issued in book-entry-only form, 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 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, the School District will act as paying agent. In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof, as may be determined by such successful bidder.

The Notes are offered when, as and if issued and received by the purchaser and subject to the final approving opinion of Barclay Damon, LLP, Albany, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery on or about the Date of Issue shown above.

Barclay Damon, LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto.

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

Dated: June __, 2017

**CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK**

Board of Education

Leonard F. Kowalski
PRESIDENT

Nick Trifilo Vice President
Mona Abdulla Board Member
Anthony R. Catuzza Board Member
Mark E. Kowalski Board Member
Robert C. Sireika Board Member
Nicholas M. Sobaszek..... Board Member

Anne G. Spadone Superintendent of Schools
Lisa A. Almasi Assistant Superintendent of Administrative Services
Louis P. Violanti..... Board Clerk

BOND COUNSEL

Barclay Damon, LLP
Albany, New York

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

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APPENDIX A

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**CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK**

relating to

\$7,600,000

**BOND ANTICIPATION NOTES, 2017
(the "Notes")**

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the City School District of the City of Lackawanna, in the County of Erie, in the State of New York (the "District", "County" and "State," respectively) in connection with the sale of \$7,600,000 Bond Anticipation Notes, 2017 of the District (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 dated July 11, 2017 and will mature, without option of prior redemption, on November 15, 2018.

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

Authority for and Purposes of Issue

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.

The Notes are authorized to be issued pursuant to a proposition duly approved by the qualified voters of the District on December 22, 2015, following a bond resolution duly adopted by the District's Board of Education on September 17, 2015, authorizing the issuance of \$27,300,000 in serial bonds of the District to undertake a capital improvement program consisting of the reconstruction of various District buildings, site work, and the acquisition of original furnishings equipment, machinery or apparatus required for the purpose for which such buildings are to be used (the

“Bond Resolution”). The proceeds of the Notes will be used to redeem \$1,700,000 of bond anticipation notes maturing on July 12, 2017 and provide \$5,900,000 of original financing for said projects.

Optional Redemption for the Notes

The Notes may not be redeemed prior to their stated maturity date.

Nature of Obligation

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest the District has 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. See “Appendix A - 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.

Book-Entry-Only System

If the Notes are issued as book-entry Notes, the Depository Trust Company (“DTC”), New York, NY, 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 all of the Notes which bear the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

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

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company

MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE

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 and in other jurisdictions in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, 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.

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

be paid only if the State has such monies available therefore. See “Appendix A - Financial Factors - State Aid” herein.

If and when a holder of any of the Notes elects to sell prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any Notes. In addition, the price or principal value of the Notes is dependent on the prevailing level of interest rates. If interest rates increase, the price of a Note will decline causing the holder to incur a capital loss upon the sale of such Notes. See “Rating” herein.

Amendments to the Internal Revenue Code of 1986, as amended (the “Code”) could reduce or eliminate the favorable tax treatment granted to municipal debt including the Notes and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Notes. See “Tax Exemption” herein.

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, school districts, including the District, and fire districts in the State could have an impact upon the market price for the Notes. See “Appendix A - Tax Information - Tax Levy Limitation Law” herein.

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.

TAX EXEMPTION

In the opinion of Barclay Damon, LLP, Albany, New York, Bond Counsel, under existing law, (A) interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the individual and corporate alternative minimum taxes imposed by the Code, except that (1) interest on the Notes is included in the adjusted current earnings of corporations for purposes of calculating corporate alternative minimum taxable income, and (2) 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 thereof; and (B) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District will covenant in the Tax Certificate as to Arbitrage and Use of Proceeds, that, to maintain the exclusion of interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the District shall comply with each applicable provision of the Code.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company’s deduction for loss is reduced by 15% of the sum of certain items, including interest on the Notes; (2) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Notes, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Notes to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

A Noteholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes. The nature and extent of these other consequences will depend upon the Noteholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Notes should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

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

The Opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code.

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

Prospective purchasers of the Notes should consult their own tax advisors regarding pending or proposed tax legislation, administrative actions taken by tax authorities or court decisions, and regarding the impact of future legislation, administrative actions or court decisions.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the District shall furnish a certificate of the attorney for the District, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect and enforce the collection of taxes or other revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Barclay Damon, LLP, Albany, New York, 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 of rate or amount. Such opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to such 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 have been or may have 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 Purchasers will be furnished with the following items: (i) a Certificate of the President of the Board of Education 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 the President of the Board of Education 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) an Tax Certificate as to Arbitrage and Use of Proceeds executed by the President of the Board of Education, as described under "Tax Exemption" herein.

UNDERTAKING TO PROVIDE NOTICE OF EVENTS

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notice of 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 the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice, not in excess of ten (10) business days after the occurrence of the event, of the occurrence of any of the following events with respect to the Notes:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) bond calls, if material, and tender offers;
- (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of 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]; (xiii) the consummation of a merger, consolidation, or acquisition

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

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

Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc.), a municipal bond insurance company, which insures a variety of District serial bonds, has had a variety of ratings changes over the past five years. The District filed event notices for these changes on EMMA on August 1, 2014. Subject to the foregoing (without determining whether such events were material), there are no instances in the previous five years in which the District failed to comply, in all material respects, with any previous continuing disclosure undertakings within the past five years.

RATING

The District has not applied for a rating on the Notes.

Moody's Investors Service, Inc. (Moody's) has assigned an enhanced rating of "A3" (negative outlook) and a rating of "Baa1" (negative outlook) to the uninsured outstanding bonded indebtedness of the District.

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

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC 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 Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial 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 Financial

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 upon request from the District's Assistant Superintendent of Administrative Services, Lisa Almasi (716) 827-6708 e-mail: LAlmasi@lackawannaschools.org or from Capital Markets Advisors, LLC, Orchard Park, New York 14127, (716) 662-3910 and also available at www.capmark.org.

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

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

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.

CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA, NEW YORK

By: /s/ Leonard Kowalski
Leonard Kowalski
President of the Board of Education and
Chief Financial Officer

DATED: June __, 2017

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The District is located entirely within the boundaries of the City of Lackawanna (“City”) which has an area of approximately 6.1 square miles and a 2010 estimated population of 18,239 (U.S. Census). The City is located immediately south of the City of Buffalo on the eastern shore of Lake Erie.

The City was established to serve the iron and steel industry of the early 20th century. Major industrial and commercial entities include Mittal Steel, South Buffalo Railroad and the Gateway Trade Center. Residents find employment in these and other local firms in nearby Buffalo and the surrounding region.

The District’s transportation needs are served by the New York State Thruway (Interstate 90) and Route 5 (Hamburg Turnpike). The Niagara Frontier Transportation Authority provides bus service to the area. The Gateway Trade Center maintains, through the Lackawanna Ship Canal, the area’s Port of Buffalo operations. The area is also served by six railroad line operators and air transportation is available at the Buffalo-Niagara International Airport.

District Organization

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

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

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Assistant Superintendent of Administrative Services and the District Treasurer.

District Facilities

The District operates four buildings; statistics relating to each are shown below.

TABLE 1
School Statistics

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year of Construction</u>	<u>Last Addition</u>
Truman Elementary	Pre-K – 1	660	1967	
Martin Road Elementary	2 – 5	926	2003	
McKinley Elementary	Administration	568	1938	
Middle/High School	6 – 12	1916	1956	1986

Source: District Officials.

Employees

The District provides services to full and part-time employees represented by the following organizations.

TABLE 2
Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
160	New York United Teachers (Teachers)	06/30/2019
11	AFL/CIO (Administrative Council)	06/30/2012*
16	National Education Assoc. (Competitive Education Secretaries)	06/30/2018
82	AFL/CIO (CSEA)(41 full-time/41 part-time)	06/30/2019
4	AFL/CIO (Nurses Association)	06/30/2012*
1	Superintendent	05/31/2018
1	Assistant Superintendent	02/28/2018
1	Board Clerk	06/30/2017**
1	PT Auditor	06/30/2017**

*Currently under negotiations, as of June 9, 2017.

** Annual appointment.

Source: District Officials.

Employee Pension Benefits

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

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

Both the ERS and the TRS are non-contributing with respect to members hired prior to July 27, 1976. Other than members of Tier V and Tier VI (described below) the ERS and TRS 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 except for Tier VI members, whose contributions range from 3-6%.

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

<u>Fiscal Year End 6/30</u>	<u>ERS</u>
2018(Budgeted)	\$547,798
2017	545,774
2016	480,592
2015	751,000
2014	642,000

Source: Audited Financial Statements, 2018 adopted budget and Office of the State Comptroller

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

<u>Fiscal Year End 6/30</u>	<u>TRS</u>
2018 (<i>Budgeted</i>)	\$1,476,356
2017	1,641,291
2016	1,680,866
2015	2,486,000
2014	2,179,000

Source: Audited Financial Statements and 2018 adopted budget

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

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

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

The New York State TRS has adopted an Employer Contribution Rate of 9.80%, applicable to 2017-18 salaries. This is a decrease from the 2016-17 fiscal year's rate of 11.72%.

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

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The plan, which was approved in Governor Cuomo’s 2016-17 budget would let districts contribute 14.13% of employee costs toward pensions. The District has not opted into the pension smoothing plan.

The TRS SCO deferral plan is available to school districts for the next 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred

amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan. 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 may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

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

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

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The State Comptroller's proposal would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the State Comptroller's proposal, there are no limits on how much a local government can deposit into the trust.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The District was in compliance with the requirements of GASB 45 by the applicable effective date, a summary of which is included in the June 30, 2016 financial statements attached hereto.

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

Annual required contribution	<u>2015</u>	<u>2016</u>
Normal cost	\$54,885	\$69,580
Amortization of UAAL	<u>143,863</u>	<u>289,043</u>
	198,748	358,623
Interest on OPEB obligation	(5,274)	(4,319)
ARC adjustment	<u>10,849</u>	<u>10,061</u>
OPEB expense	\$204,323	\$364,365
OPEB contributions	<u>(191,927)</u>	<u>(241,982)</u>
Decrease in OPEB asset	12,396	122,383
Net OPEB obligation – beginning of the year	<u>(120,376)</u>	<u>(107,980)</u>
Net OPEB obligation – end of year	<u>(\$107,980)</u>	<u>\$ 14,403</u>

Source: Audited Financial Statements. Table itself is not audited.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

As of June 30, 2016, the plan was not funded. The unfunded actuarial accrued liability for benefits for governmental activities was \$3,126,371.

The District continues funding the expenditure on a pay-as-you-go basis.

Investment Policy/Permitted Investments

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

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

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

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

FINANCIAL FACTORS

District finances are operated through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. The District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Property Tax Revenue

The District derives a major portion of its revenues from a tax on real property. Real property taxes and tax items accounted for 20.7% of total general fund revenues for the fiscal year ended June 30, 2016, while State aid accounted for 69.8%.

The following table sets forth total general fund revenues and real property tax and tax item revenues collected during the last five audited fiscal years ended June 30th and budgeted for the current fiscal year.

Table 3
Property Taxes

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Real Property Taxes and Tax Items</u>	<u>Real Property Taxes and Tax Items to Revenues</u>
2013	\$40,329,394	\$8,726,339	21.6%
2014	41,769,258	8,801,642	21.1%
2015	43,588,805	9,577,582	22.0%
2016	44,052,540	9,127,139	20.7%
2017	46,352,824	9,477,964	20.4%
2018 <i>Budgeted</i>	48,783,526	9,675,408	19.8%

Source: Audited Financial Statements and 2018 Adopted Budget. Table itself is not audited.

State Aid

While the District has received State aid in recent years, both the determination of the amount of State aid and the apportionment of State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the District. The current or future financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

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The following table sets forth total State aid revenues during the last five audited fiscal years ended June 30th and budgeted for the current fiscal year.

Table 4
State Aid

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2013	\$ 40,329,394	\$ 27,853,170	69.1%
2014	41,769,258	28,987,599	69.4%
2015	43,588,805	29,774,796	68.3%
2016	44,052,540	30,762,014	69.8%
2017	46,352,824	33,542,448	72.4%
2018 <i>Budget</i>	48,783,526	35,723,488	73.29

Source: Audited Financial Statements and 2018 Adopted Budget. Table itself is not audited.

In addition to the amount of State Aid budgeted by the District in its 2017-18 fiscal year, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR (see “Tax Information-STAR-School Tax Exemption”) Program. The District has received timely receipt of STAR aid for the current fiscal year.

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

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York 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 asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the “foundation aid” formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. It is not possible to predict the outcome of this litigation.

While the 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.

In any event, the outcome of this matter does 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.

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

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 \$1.07 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 \$750,319, dropping the total GEA to \$321,566. In the 2015-16 fiscal year, it has been further reduced by \$315,134, yielding a remaining GEA of \$6,432. In the 2016-17 fiscal year, the GEA will be eliminated.

The Smart Schools Bond Act was passed as part of the Enacted 2014-15 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$2,922,791.

No delay in payment of State aid for the District's 2015-16 fiscal year is presently anticipated, although no assurance can be given that there will not be a delay in payment thereof. 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.

Recent Events Affecting New York School Districts

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

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

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

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

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

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

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

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

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

The School District presently anticipates a decrease in its State Aid not related to building aid for its 2017-2018 fiscal year in an amount of \$36,405.

The State 2017-18 Enacted Budget allows the Governor to reduce expenditures (including aid to school districts) mid-year if revenues (including, but not limited to, revenues from the federal government) are less than what was expected. If federal support to the State is reduced by \$850 million or more, the Governor will develop a plan to make uniform spending reductions. Such plan will take effect automatically unless the Legislature passes its own plan within 90 days.

It should also be noted that the School District receives federal aid for certain programs. In its last audited fiscal year, the School District received \$284,175 in such direct federal aid. It is not possible to predict whether such aid will continue in the future, or if continued, whether it will be funded at present levels.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District's 2017-18 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

The State Comptroller's Fiscal Stress Monitoring System

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

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

The most current applicable report of the State Comptroller designates the District as "Susceptible Fiscal Stress." (See <http://www.osc.state.ny.us/localgov/fiscalmonitoring/schools/pdf/summarylist.pdf>)

New York State Comptroller's Audit

All 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 August 8, 2014, OSC, Division of Local Government and School Accountability released an audit of the District to assess selected District's financial condition for the period July 1, 2012 to March 31, 2014. The audit found that for each of the prior four years, the Board and District officials overestimated expenditures by an average of \$3.1 million, and at the end of the 2012-13 fiscal year, the District had an unexpended surplus funds deficit of \$1.4 million due to operating deficits in the past years. Additionally, the audit found that District officials do not prepare cash flow statements and have not developed a multiyear financial plan. The OSC audit recommended that the District adopt structurally balanced budgets, reduce reliance on fund balance, develop a realistic plan to legally accumulate unexpended surplus funds, prepare cash flow statements, and develop and implement a multiyear financial plan that should be updated annually.

The link to the most recent OSC report is as follows:
<http://www.osc.state.ny.us/localgov/audits/schools/2014/lackawanna.pdf>.

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

Budgetary Procedure

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

Pursuant to the Education Law, the Board of Education of the District annually prepares, or causes to be prepared, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the District must mail a school budget notice to all qualified voters which contains the total budgeted amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the budget vote.

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97, beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the "Tax Information-Tax Levy Limitation Law"), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Levy Limitation Law, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the District to exceed the Tax Levy Limitation Law also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see “Tax Levy Limitation Law” herein. The District has not exceeded the tax cap in the last three years as defined in the Tax Levy Limitation Law herein.

The voters approved the District’s 2017-18 budget on May 16, 2017.

Independent Audit

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2016 and is included herein.

TAX INFORMATION

Real Property Tax Assessments and Rates

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

Table 5
Real Property Tax Rates
(Fiscal Years Ending June 30)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tax Levy	\$8,590,000	\$8,590,000	\$8,933,600	\$9,112,272	\$9,294,517
Tax Rate (Homestead) ⁽¹⁾	\$12.42	\$12.45	\$13.07	\$13.29	\$13.86
Tax Rate (Non-Homestead) ⁽¹⁾	\$32.02	\$25.96	\$30.61	\$30.98	\$31.06

(1) Per \$1,000 Assessed Value.

Table 6
Assessed and Full Valuation
(Fiscal Years Ending June 30)

Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts which normally have the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes

Based on Regular Equalization Rates

Year of Assessment Roll	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fiscal Year for Taxes	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Assessed Value	\$486,633,326	\$482,306,647	\$492,940,876	\$492,203,441	\$496,502,341
Equalization Rate	100.00%	100.00%	100.00%	88.50%	79.31%
Full Value	\$486,633,326	\$482,306,647	\$492,940,876	\$556,162,080	\$626,027,413

Based on Special Equalization Rates

Year of Assessment Roll	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fiscal Year for Taxes	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Assessed Value	\$486,633,326	\$482,306,647	\$492,940,876	\$492,203,441	\$496,502,341
Equalization Rate	98.00%	104.10%	88.13%	88.03%	87.71%
Full Value	\$496,564,618	\$463,310,900	\$559,333,798	\$559,131,479	\$566,072,672

Source: District Officials

Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. The District is not subject to constitutional real property taxing limitations. See, however, the discussion below — “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.

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 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

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. It expires on June 16, 2020 unless extended. 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%) (subject to certain adjustments) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments would be 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. 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 will only require approval by at least 50% of those voting. 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 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. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cash flow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures”, are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and is an exclusion from the tax levy limitation.

The District has not exceeded the tax cap in the last three years as defined in the Tax Levy Limitation Law stated above.

NYSUT Lawsuit

On February 20, 2013, the New York State United Teachers (“NYSUT”) organization filed a lawsuit against the State challenging the Tax Levy Limitation Law as applied to school districts on multiple federal and state constitutional grounds. The Board of Education of the District did not join the NYSUT lawsuit as a plaintiff. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT’s causes of action but granted NYSUT’s motion to amend the complaint. After the ruling, NYSUT amended its complaint to include a challenge to the Chapter 59 Real Property Tax Rebate, also on federal and state constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution “does not require that equal educational offerings be provided to every student”, and further noted “the legitimate government interest of restraining crippling property tax increases”. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York’s highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also “State Aid” for a discussion of the New Yorkers for Students’ Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Real Property Tax Rebate (Chapter 59)

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

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

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

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

Real Property Tax Rebate (Chapter 20)

Chapter 20 introduced a new real property tax rebate program that will provide state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see “STAR - School Tax Exemption,” herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20 Real Property Tax Rebate. For 2016, eligible taxpayers who reside outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) 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.

Similarly to the Chapter 59 Real Property Tax Rebate, under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for many taxpayers only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law.

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

Tax Collection Procedure

Taxes are due and payable without penalty during the month of September. Taxes paid during the month of October are subject to a 1% penalty and an additional one-half of one percent each month thereafter.

A certified list of unpaid taxes compiled on or about November 1, is returned to the City Treasurer who is responsible for the enforcement of unpaid school taxes. The City is required to remit monies received from the collection of unpaid school taxes at least once each month.

If the City bids on the delinquent property, the District receives the full amount of the unpaid tax. Otherwise, the District receives only the amount collected by the City through legal proceedings. The Real Property Tax Law provides for additional remittances for unpaid school taxes and properties included in a tax sale conducted by either the City or the County. In general, the District must receive the full amount of its unpaid taxes within two years after the return of the statement of unpaid taxes.

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 2016-17 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
City of Lackawanna	\$51,950	\$23,790

Date Certified: 4/7/2017

The enhanced or basic STAR exemption is the amount that an assessment will be reduced prior to the levy of school taxes. For example, if a home is assessed at \$150,000 and the enhanced STAR exemption for a

municipality is \$50,000, the school taxes on the property would be paid on a taxable assessment of \$100,000 (\$150,000 - \$50,000 = \$100,000).

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

The maximum savings for the City of Lackawanna for the 2016-17 fiscal year is as follows:

<u>Municipality:</u>	Homestead Basic Maximum Savings	Homestead Enhanced Maximum Savings	Non- Homestead Basic Maximum Savings	Non- Homestead Enhanced Maximum Savings
City of Lackawanna	\$341	\$683	\$846	\$1,779
<i>Updated: April 06, 2017</i>				

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

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

Largest Taxpayers for the 2016-17 Fiscal Year

The following table presents the taxable assessments of the District’s largest taxpayers for the 2016-17 fiscal year.

**Table 7
Taxable Assessments**

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u> ⁽¹⁾
Tecumseh Redevelopment Inc. ⁽²⁾	Manufacturer	\$10,900,000	2.20%
National Fuel	Utility	8,304,899	1.67%
Verizon	Utility	6,001,195	1.21%
South Buffalo Railroad	Railroad	5,879,754	1.18%
Gateway Trade Center	Industrial Center	5,000,000	1.01%
National Grid	Utility	4,870,166	0.98%
G.K. Commerce Drive LLC	Commercial Property	4,100,000	0.83%
Conrail Corporation	Railroad	3,947,751	0.80%
Senior Housing LP Lackawanna	Housing	3,600,000	0.73%
Great Lakes Industrial Development	Industrial Develop.	<u>2,500,000</u>	<u>0.50%</u>
Total:		<u>\$55,103,765</u>	<u>11.10%</u>

- (1) The District's total assessed value is \$496,502,341 for fiscal year 2016-17.
- (2) A court order reduced Tecumseh's assessment from \$31 million to \$10.9 million and the remaining property is being split up and sold off.

DISTRICT INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to 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, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute. No installment may be more than fifty per centum in excess of the smallest prior installment unless the District determines to issue a particular debt obligation amortizing on the basis of 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 indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation 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, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory 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 Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds, subject to obtaining voter approval. 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 twenty-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 Board of Education, 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 of Education, as the finance board of the District, has the power to enact revenue anticipation note resolutions. Such resolutions may authorize the issuance of revenue anticipation notes in an aggregate principal amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of State Aid revenue received by the District, less any tax anticipation notes previously issued and less the amount of such revenue previously received by the District.

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

Debt Limit. The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed five per centum of the average full valuation of taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

The District has not exceeded their debt limit (see “Statutory Debt Limit and Net Indebtedness” herein).

Table 8
Computation of Debt Limit
(As of June 21, 2017)

<u>Tax Year:</u>	<u>Full Valuation</u>
2012	\$486,633,326
2013	482,306,647
2014	492,940,876
2015	492,203,441
2016	<u>496,502,341</u>
Total Five Year Valuation	<u>\$2,450,586,631</u>
Average Five Year Full Valuation	<u>\$490,117,326</u>
Debt Limit - 5% of Average Full Valuation	<u>\$ 24,505,866</u>

- (1) The amounts shown as full valuation have been computed with the use of Special Equalization Ratios (See Table 6). Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes.
- (2) The District requested and received approval of the Board of Regents and the State Comptroller, dated April 7, 2016 to issue bonds and/or bond anticipation notes exceeding the debt limit in an amount not to exceed \$27,300,000 for school buildings and additions for the projects approved by at least 60% the qualified voters of the District on December 22, 2015.

Statutory Debt Limit and Net Indebtedness

Table 9
Statutory Debt Limit and Net Indebtedness

	<u>As of</u> <u>June 19, 2017</u>	<u>Proforma</u> <u>As of</u> <u>July 11, 2017</u>
Average Full Valuation of Taxable Real Property	<u>\$490,117,326</u>	<u>\$490,117,326</u>
Debt Limit (5% of Average Full Valuation)	<u>\$ 24,505,866</u>	<u>\$ 24,505,866</u>
Inclusions:		
Outstanding Indebtedness:		
Serial Bonds	28,710,000	28,710,000
Bond Anticipation Notes	<u>1,700,000</u>	<u>7,600,000</u>
Total Inclusions	<u>30,410,000</u>	<u>36,310,000</u>
Exclusions		
Refunded Debt	8,570,000	8,570,000
Bond Appropriations	0	1,485,000
BAN Appropriations	<u>0</u>	<u>0</u>
Total Exclusions	<u>8,570,000</u>	<u>10,055,000</u>
Total Net Indebtedness ^(a)	<u>\$ 21,840,000</u>	<u>\$ 26,255,000</u>
Net Debt-Contracting Margin ^(b)	<u>\$ 2,665,866</u>	<u>\$ (1,749,134)</u>
Percentage of Debt-Contracting Margin Exhausted	89.12%	107.13%

(a) The District has received State debt service building aid in an amount approximately 98.0% of its outstanding bonded indebtedness. Given the effect of "assumed amortization" provided in Chapter 383 of the Laws of 2001, no assurance can be given regarding the direct or indirect effect of "assumed amortization" on the net indebtedness of the District, or the timing or amount of such Building aid in connection with school facilities financed with the proceeds of the Notes. See "State Aid" herein.

(b) The District requested and received approval of the Board of Regents and the State Comptroller, dated April 7, 2016 to issue bonds and/or bond anticipation notes exceeding the debt limit in an amount not to exceed \$27,300,000 for school buildings and additions for the projects approved by at least 60% the qualified voters of the District on December 22, 2015.

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.

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

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

Under current law, provision is made for contract creditors (including the Noteholders) 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.

Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Noteholders remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

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, 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 Constitution of the State, 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.

Bond Anticipation Notes

The District has \$1,700,000 of bond anticipation notes outstanding that will mature on July 12, 2017 and redeem with a portion of the proceeds of the Notes.

Tax and Revenue Anticipation Notes

The District last issued revenue anticipation notes (“RANs”) in the 2003-04 fiscal year, which matured on August 19, 2003. The District has not issued such notes in recent years and does not anticipate the need to borrow for operating purposes during the current and ensuing fiscal year. The District has not issued tax anticipation notes (“TANs”) in recent years and does not anticipate issuance in the current or ensuing fiscal years in the foreseeable future.

Other Indebtedness

In January 2005, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement to finance a performance contract for an energy savings program. Payments are subject to appropriation. The total project cost was \$2,507,987 and semiannual payments of \$121,987 began July 2006 and will continue through July 2021.

The District has \$1,524,827 in Qualified School Construction Bond Lease Agreement that was issued on August 17, 2011 to finance energy improvements. The District will make annual payments from August 15, 2012 through August 15, 2024 in the amount of \$172,552. A portion of the interest payment will be reimbursed by the U.S. Treasury.

Overlapping and Underlying Debt

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

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

Table 10
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of:</u>	<u>District Share</u>	<u>Amount Applicable To District</u>
Erie County	\$399,505,000	11/15/16	1.00%	\$ 3,995,050
City of Lackawanna	9,112,272	11/15/16	100.00%	<u>9,112,272</u>
Total Net Overlapping Debt				\$13,107,322
Total Net Direct Debt				<u>\$21,840,000</u>
Net Direct and Overlapping Debt				<u>\$34,947,322</u>

Source: State Comptroller's Special Report on Municipal Affairs

Debt Ratios

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

Table 11
Debt Ratios

	<u>Debt Per Amount</u>	<u>Debt Per Capita</u> ^(a)	<u>Debt to Full Value</u> ^(b)
Net Direct Debt	\$21,840,000	\$1,197	3.90%
Net Direct and Overlapping Debt	\$34,947,322	\$1,916	6.24%

(a) The population of the District is estimated by District officials to be approximately 18,239.

(b) The District's full value of taxable real property based on special equalization rates for 2016-17 is \$559,973,201.

Obligations Authorized but Unissued

On December 22, 2015, qualified voters in the District voted to approve the Board of Education proposed \$27,300,000 maximum cost capital improvement project intended to improve District infrastructure and enhance education programs. The capital improvement project was proposed with a bond resolution dated September 17, 2015. The District issued \$1,700,000 in obligations to finance said project on July 12, 2016, and plans to issue \$27,300,000 of qualified zone academy bonds in November 2017 to redeem the Notes and provide additional original financing. The District has obtained on April 7, 2016 the approval from the Board of Regents and the Office of the State Comptroller to exceed its debt limit in connection with the issuance of obligations to finance said project.

Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness, as of June 21, 2017.

Table 12
Bond Principal and Interest Maturity Table^(a)

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,485,000	\$ 591,088	\$ 2,076,087
2019	1,520,000	552,138	2,072,137
2020	1,545,000	517,388	2,062,387
2021	1,580,000	479,163	2,059,162
2022	1,625,000	436,400	2,061,400
2023	1,665,000	391,738	2,056,737
2024	1,705,000	345,288	2,050,287
2025	1,425,000	296,988	1,721,987
2026	1,110,000	255,700	1,365,700
2027	1,145,000	222,400	1,367,400
2028	1,175,000	188,050	1,363,050
2029	1,210,000	152,800	1,362,800
2030	1,255,000	109,900	1,364,900
2031	950,000	65,400	1,015,400
2032	745,000	29,800	774,800
Total:	\$20,140,000	\$4,634,238	\$24,774,238

(a) Does not include \$8,570,000 of refunded debt which will be called on June 15, 2017.

Source: District Officials.

ECONOMIC AND DEMOGRAPHIC DATA

School Enrollment Trends

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

TABLE 13
School Enrollment Trends

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2014-2015	1,712	2017-2018	1,890
2015-2016	1,807	2018-2019	1,920
2016-2017	1,857	2019-2020	1,900

Source: District Officials.

Population

The estimated population of the District is 18,239 according to the US Census Bureau estimate for July 1, 2010. The following table presents population trends for the City, which is contiguous with the District, the County and the State, based upon census data.

TABLE 14
Population Trend

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
City	19,064	18,141	(5.1%)
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: US Census Bureau

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the County and the State and are not necessarily representative of the District. The County is the smallest area for which data is available for the District.

TABLE 15
Civilian Labor Force
(Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
County	461.4	458.1	449.3	449.2	446.6
State	9,612.2	9,623.1	9,570.7	9,591.2	9,584.5

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

TABLE 16
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2012	8.3%	8.5%
2013	7.4%	7.7%
2014	6.1%	6.3%
2015	5.4%	5.3%
2016	4.9%	4.8%

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

TABLE 17
Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
May 2016	4.7%	4.6%
June	4.3%	4.3%
July	4.6%	4.7%
August	4.9%	5.0%
September	4.8%	4.9%
October	5.0%	4.9%
November	4.7%	4.8%
December	4.7%	4.5%
January 2017	4.9%	4.5%
February	5.5%	4.9%
March	5.6%	5.0%
April	4.9%	4.4%

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

TABLE 18
Major Employers in the District

<u>Employer</u>	<u>Nature of Business</u>	<u>Estimated # Employees</u>
Baker Victory Services	Child Care / Education	900
Mittal Steel	Manufacturer	400
Lackawanna City School District	Education	357
City of Lackawanna	Municipal Services	250
Hazmat Environmental Group	Transporter	140

Source: District Officials.

LITIGATION

The District is subject to a certain number of lawsuits in the ordinary conduct of its affairs. The attorney for the District does not believe, however, that adverse decisions in such suits either individually or in the aggregate, would have a materially adverse effect on the financial condition of the District.

END OF APPENDIX A

APPENDIX B
FINANCIALS

LACKAWANNA CITY SCHOOL DISTRICT
General Fund
Balance Sheets
Fiscal Year Ended June 30:

	<u>2015</u>	<u>2016</u>
<u>Assets:</u>		
Unrestricted Cash	\$2,280,906	\$3,036,496
Restricted Cash	300,000	300,000
Accounts Receivable	44,235	41,406
Due From Other Funds	2,038,729	8,600,351
State and Federal Aid Receivable	2,039,183	916,142
Property Taxes Receivable	408,058	669,886
Due From Other Governments	1,248,319	1,218,934
	<u>1,248,319</u>	<u>1,218,934</u>
 Total Assets	<u>\$8,359,430</u>	<u>\$14,783,215</u>
 <u>Liabilities and Fund Balance:</u>		
Accounts Payable	\$1,141,062	\$1,130,765
Accrued Liabilities	82,638	60,034
Due to Other Funds	289,250	7,207,114
Due to Other Governments	489,451	104,995
Overpayments - Collections	2,777	2,777
Due to Teachers Retirement System	2,485,846	1,935,998
Due to Employees' Retirement System	172,911	121,734
Deferred Revenues	408,058	676,921
	<u>408,058</u>	<u>676,921</u>
Total Liabilities	<u>5,071,993</u>	<u>11,240,338</u>
 <u>Fund Balances:</u>		
Restricted	300,000	300,000
Assigned	711,899	1,716,077
Unassigned	2,275,538	1,526,800
Total Fund Balance	<u>3,287,437</u>	<u>3,542,877</u>
 Total Liabilities and Fund Balance	<u>\$8,359,430</u>	<u>\$14,783,215</u>

Source: Audited Financial Statements
Summary not audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$6,844,632	\$7,022,483	\$7,207,386	\$9,577,582	\$9,127,139
Real Property Tax Items	1,614,305	1,703,856	1,594,256	0	0
Non-Property Taxes	2,820,811	2,793,626	2,929,915	3,068,017	3,050,415
Charges for Services	189,611	156,112	66,924	150,645	139,195
Use of Money & Property	189,382	167,096	104,157	144,166	15,041
Sale of Prop. & Comp. for Loss	24,700	55,149	32,961	135,781	68,762
Miscellaneous	558,759	380,561	484,066	489,673	605,799
State Aid	28,054,216	27,853,170	28,987,599	29,774,796	30,762,014
Medicaid Reimbursement	199,319	197,341	361,994	0	0
Interfund Revenue	0	0	0	0	0
Federal Aid	0	0	0	248,145	284,175
Total Revenues	<u>40,495,735</u>	<u>40,329,394</u>	<u>41,769,258</u>	<u>43,588,805</u>	<u>44,052,540</u>
Expenditures:					
General Support	3,986,858	3,972,628	4,061,289	3,584,461	3,720,672
Instruction	26,553,309	26,440,752	26,923,057	26,439,515	27,706,131
Pupil Transportation	2,499,814	2,500,350	2,704,119	2,732,927	2,844,191
Employee Benefits	6,525,622	7,052,811	7,974,915	8,232,075	7,352,596
Debt Service	1,605,007	1,840,046	1,847,932	1,935,236	2,139,983
Total Expenditures	<u>41,170,610</u>	<u>41,806,587</u>	<u>43,511,312</u>	<u>42,924,214</u>	<u>43,763,573</u>
Excess of Revenues over Expenditures	(674,875)	(1,477,193)	(1,742,054)	664,591	288,967
Other Uses:					
Interfund Transfers In	438,405	92,561	0	30,391	22,945
Operating Transfers Out	<u>(320,000)</u>	<u>(344,118)</u>	<u>(167,393)</u>	<u>(116,495)</u>	<u>(56,472)</u>
Total Other Uses:	118,405	(251,557)	(167,393)	(86,104)	(33,527)
Excess of Revenues over Expenses and Other Financing Uses	(556,470)	(1,728,750)	(1,909,447)	578,487	255,440
Prior Period Adjustment *	0	0	0	395,504	0
Fund Balance - Beg. of Year	<u>6,508,113</u>	<u>5,951,643</u>	<u>4,222,893</u>	<u>2,313,446</u>	<u>3,287,437</u>
Fund Balance - End of Year	<u>\$5,951,643</u>	<u>\$4,222,893</u>	<u>\$2,313,446</u>	<u>\$3,287,437</u>	<u>\$3,542,877</u>

**Prior Period Adjustment in the 2015 Fiscal Year accounts for several necessary adjustments, and was recorded to reduce the beginning of the year fund equity in the governmental funds by \$302,391. See Note 7 - Prior Period Adjustments in the June 30, 2015 Financial Audit.*

Source: Audited Financial Statements
Summary not audited

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

	<u>Budget</u> <u>2016-17</u>	<u>Adopted</u> <u>Budget</u> <u>2017-18</u>
Estimated Revenues:		
Real Property Tax	\$9,294,517	\$9,480,408
Real Property Tax Items	183,447	195,000
Non-Property Taxes	2,850,000	2,950,000
Charges for Services	68,000	62,500
Use of Money and Property	1,500	3,000
Sale of Property and Compensation for Loss	25,000	10,000
Miscellaneous	387,912	359,130
State Aid	33,542,448	35,723,488
Total Estimated Revenues	46,352,824	48,783,526
 Appropriated Fund Balance	 1,700,000	 1,947,498
 Total Estimated Revenues and Fund Balance	 \$47,352,824	 \$50,731,024
 Appropriations:		
General Support	\$4,108,888	\$4,214,149
Instruction	29,602,304	32,275,192
Public Safety and Transportation	2,857,599	2,941,152
Employee Benefits	8,285,647	8,404,616
Debt Service	2,348,386	2,750,915
Interfund Transfers	150,000	145,000
Total Appropriations	\$47,202,824	\$50,731,024

Source: School District Officials

APPENDIX C

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

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

<http://emma.msrb.org/ES992255-ES776788-ES1178096.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. Buffamante Whipple Buttafaro, P.C. 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.**