

**SERIAL BONDS
BOND ANTICIPATION NOTES**

Ratings: See "Ratings" herein

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the District with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the District, interest on the Bonds and 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 Federal alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds and the Notes is, however, included in "adjusted current earnings" for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Bond Counsel is also of the opinion that under existing statutes interest on the Bonds and 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). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the Bonds and the Notes. See "TAX MATTERS" herein.

The Bonds and Notes will NOT be designated by the District as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

**LANCASTER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

\$12,250,000*

**SCHOOL DISTRICT SERIAL BONDS – 2018
(the "Bonds")**

Date of Issue: Date of Delivery

Maturity Date: June 1, 2019-2031

\$43,577,125

**BOND ANTICIPATION NOTES – 2018
(the "Notes")**

Date of Issue: June 13, 2018

Maturity Date: June 13, 2019

The Bonds and Notes are general obligations of the Lancaster Central School District (the "District"), in Erie County, New York, and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds and 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 not be subject to optional redemption prior to maturity. Certain maturities of the Bonds will be subject to optional redemption prior to maturity, see "THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*" herein.

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

The Bonds will be dated the date of delivery and will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on the dates as shown on the inside cover of this Official Statement, calculated on a 30-day month and 360-day year basis. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

At the option of such purchaser, the Notes will be issued in registered form (i) registered in the name of such purchaser or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are issued in registered certificated form, the Notes will be issued in denominations of \$5,000 (except for one odd denomination in excess of \$5,000), as may be determined by the successful bidder(s). Payment of the principal and interest on such Notes will be made at the office of the District Clerk, Lancaster, New York.

If the Notes are issued in registered book-entry form, such Notes ("DTC Notes") will be delivered to DTC, which will act as Securities Depository for the DTC Notes. Beneficial owners will not receive certificates representing their interest in the DTC Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination in excess of \$5,000. A single note certificate will be issued for those DTC Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said DTC Notes will be paid in Federal Funds by the Paying Agent to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the DTC Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "THE BONDS AND THE NOTES - Book-Entry-Only System" herein.

Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

Each of the Bonds and the Notes are offered when, as and if issued by the District subject to the receipt of the respective final approving opinion of Harris Beach PLLC, Rochester, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the District in connection with the issuance of the Bonds and Notes. It is expected that delivery of the Bonds and the Notes will be made on their respective Date of Issue, which is expected to be June 13, 2018.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE DISTRICT FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS AS MORE FULLY DESCRIBED IN THE NOTICES OF SALE WITH RESPECT TO THE BONDS AND THE NOTES HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND THE NOTES AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING," HEREIN.

*Preliminary, subject to change pursuant to the Notice of Bond Sale, as described on the inside cover hereof

Dated: May 24, 2018

The Bonds will mature on June 1 in each year as set forth below. Interest on the Bonds will be payable on June 1, 2019, December 1, 2019 and semi-annually hereafter on June 1 and December 1 in each year until maturity. Certain maturities of the Bonds will be subject to optional redemption prior to maturity, see “THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*” herein.

<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2019	\$915,000				2026	\$ 1,070,000			
2020	935,000				2027***	1,095,000			
2021	950,000				2028***	1,125,000			
2022	970,000				2029***	1,130,000			
2023	995,000				2030***	820,000			
2024	1,015,000				2031***	185,000			
2025	1,045,000								

* The aggregate principal amount of the Bonds and the principal maturities thereof are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Bond Sale to achieve substantially level or declining debt service and to permit the District to comply with the applicable provisions of Federal tax law relating to over issuance.

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

***Certain principal maturities of the Bonds are subject to optional redemption prior to maturity, see “THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*” herein.

**LANCASTER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

Board of Education

Mr. Patrick Uhteg.....President
Mr. Bill Gallagher..... Vice President
Ms. Brenda Christopher Board Member
Ms. Kelly Depczynski..... Board Member
Mr. Glenn Jackson Board Member
Mrs. Sue Metz..... Board Member
Mr. Michael Sage..... Board Member

Dr. Michael Vallely Superintendent of Schools
Ms. Jamie Phillips.....Assistant Superintendent
of Business & Support Services
Ms. Sandra Janik.....District Clerk
Ms. Carol Peck..... District Treasurer
Harris Beach PLLC (Ms. Tracie L. Lopardi)..... School District Attorney

BOND COUNSEL

HARRIS BEACH PLLC
Rochester, New York

MUNICIPAL ADVISOR



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

No dealer, broker, salesman or other person has been authorized by the District 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 which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereon.

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OFFICIAL STATEMENT

**LANCASTER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

Relating To

\$12,250,000*
SCHOOL DISTRICT SERIAL BONDS – 2018
(the “Bonds”)

and

\$43,577,125
BOND ANTICIPATION NOTES – 2018
(the “Notes”)

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Lancaster Central School District in the County of Erie, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$12,250,000* School District Serial Bonds, 2018 (the “Bonds”) and \$43,577,125 Bond Anticipation Notes, 2018 (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 Bonds and Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes and such proceedings.

THE BONDS

Description

The Bonds will be dated the Date of Delivery, which is expected to be June 13, 2018 and will bear interest from such date at the annual rate or rates as specified by the purchaser, payable on June 1, 2019, December 1, 2019 and semi-annually hereafter on June 1 and December 1 in each year until maturity. The Bonds will mature in each of the years and will bear interest at the rates as shown on the inside cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). DTC will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. Principal and interest will be paid by the District to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein under “*THE BONDS – Book-Entry-Only System.*”

Certain maturities of the Bonds will be subject to redemption prior to maturity, see “*THE BONDS AND THE NOTES- Optional Redemption for the Bonds and the Notes*” herein.

The record date for the Bonds will be the fifteenth day of the calendar month preceding each respective interest payment date.

The District Clerk will act as Paying Agent for the Bonds. The District contact information is as follows: Jamie Phillips at 177 Central Avenue, Lancaster, NY 14086, phone: 716-686-3212, email: jphillips@lancasterschools.org

*Preliminary, subject to change pursuant to see of Notice of Bond Sale as described on the inside cover hereof.

Authorization for and Purpose the Bonds

The Bonds are authorized to be issued pursuant to the Constitution and Laws of the State, including the Local Finance Law and Education Law and a proposition duly approved by the qualified voters of the District on May 15, 2012, and a bond resolution duly adopted by the District’s Board of Education on April 22, 2014 authorizing the issuance of \$19,500,000 in serial bonds of the District to undertake a capital improvement program consisting of alterations, renovations and improvements to all existing District buildings and facilities. The Proceeds of the Bonds, along with \$5,375,000 in budgetary appropriations, will be used to redeem the \$17,625,000 of bond anticipation notes of the District that is maturing on June 14, 2018.

THE NOTES

Description

The Notes are dated June 13, 2018 and will mature, without the option of prior redemption, as stated on the cover page hereof.

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

If the Notes will be issued through the Depository Trust Company (“DTC” or the “Securities Depository”), 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, except for one necessary odd denomination in excess of \$5000. 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, (See “Book-Entry-Only System” herein).

If the Notes are registered in the name of the purchaser(s), principal of and interest on the Notes will be payable in Federal Funds at the office of the District Clerk, Lancaster, New York. In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof, except for one necessary odd denomination in excess of \$5,000 with respect to the Notes, as may be determined by such successful bidder(s).

Authority for and Purpose of the Notes

The Notes are authorized to be issued pursuant to the Constitution and Laws of the State, including the Local Finance Law and Education Law and a proposition duly approved by the qualified voters of the District on May 19, 2015, and a bond resolution duly adopted by the District’s Board of Education on September 21, 2015 authorizing the issuance of \$47,115,734 in serial bonds of the District to undertake a capital improvement program consisting of (i) alterations, renovations and improvements to Lancaster High School, Lancaster Middle School, Court Street Elementary School, Como Park Elementary School, Hillview Elementary School, John A. Sciole Elementary School, the former Central Avenue Elementary School building and the Transportation Building, including in each case, site improvements for various school purposes and other appurtenant and related improvements, (ii) the construction at the High School of an addition to the north entrance of the building to serve as an athletic entrance and to include a new entry with foyer, bathrooms, concessions, conference room and team rooms, and an addition to the existing field house, (iii) the construction of a new transportation building and related site improvements, including parking areas to accommodate approximately 110 buses and 130 cars. The proceeds of the Notes in the amount of \$33,368,883, along with \$538,609 in budgetary appropriations will be used to redeem a portion of the bond anticipation notes in the amount of \$33,907,492 maturing on June 14, 2018. A portion of the proceeds of the Notes will provide \$10,208,242 of new money financing for such purposes.

THE BONDS AND THE NOTES

Nature of the Obligations

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

The Bonds and 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 of and interest on 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.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor (however, see “Appendix A-TAX INFORMATION- Tax Levy Limitation Law”). The State Constitution requires the District to provide by appropriation for the payment of interest on all obligations which will become due during the fiscal year. In addition, the State Constitution requires the District to provide in each year by appropriation for the payment of all installments of principal of the Bonds and Notes which will become due and payable in such year.

Optional Redemption for the Bonds and the Notes

The Bonds maturing in the years 2019 to 2026, inclusive, are not subject to redemption prior to maturity.

The Bonds maturing on or after June 1, 2027 will be subject to redemption prior to maturity, at the option of the District, on any date on or after June 1, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

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

The Notes will not be subject to redemption prior to maturity.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds and, if issued as book-entry form, the Notes (“book-entry Notes”), payment of principal and interest, and other payments on the Bonds and the book-entry Notes to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and the book-entry Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the District. Accordingly, the District does not make any representations concerning these matters.

The Depository Trust Company (“DTC”), Jersey City, New Jersey, will act as securities depository for the Bonds and the book-entry Notes. The Bonds and such Notes will be issued as fully-registered bonds and 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 bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC. One fully-registered note certificate will be issued for each book-entry Note bearing 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds and book-entry Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and book-entry Notes on DTC's records. The ownership interest of each actual purchaser of each bond and 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 Bonds and the book-entry 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 Bonds and the book-entry Notes, except in the event that use of the book-entry system for the Bonds and the book-entry Notes is discontinued.

To facilitate subsequent transfers, all Bonds and book-entry 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 Bonds and the book-entry Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the book-entry Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and book-entry Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the Bonds and 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 County, 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.

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

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

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

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

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

Source: The Depository Trust Company

Certificated Bonds and Notes

DTC may discontinue providing its services with respect to the Bonds and the book-entry Notes at any time by giving reasonable notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds and Notes will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity, except for one necessary odd denomination in excess of \$5,000 of the Notes. Principal of the Bonds and the Notes when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the state of New York to be named by the District. Interest on the Bonds will remain payable on June 1, 2019, December 1, 2019 and semiannually thereafter on June 1 and December 1 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each respective interest payment date. Bonds and Notes may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for the Bonds and the Notes of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the respective Certificate of Determination for the Bonds or the Notes executed by the District Supervisor authorizing the sale of the Bonds and the Notes, as applicable, and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of the Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

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 Bonds and Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds and Notes. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political

subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

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

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 Bond Counsel, based on existing statutes, regulations, administrative rulings and court decisions and assuming continuing compliance by the District with certain covenants, and the accuracy of certain representations, interest on the Bonds and the Notes is excluded from gross income of the owners thereof for Federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the date of issue of the Bonds and the Notes in order that interest on the Bonds and the Notes will be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Bonds and the Notes, as applicable, and in certain circumstances, payment of amounts in respect of such proceeds to the United States. Failure to comply with the requirement of the Code may cause interest on the Bonds and the Notes to be includable in gross income for purposes of federal income tax, possibly from the date of issuance of the Bonds and the Notes. In the Arbitrage and Use of Proceeds Certificate of the District to be executed in connection with the issuance of the Bonds and the Notes, the District will covenant to comply with certain procedures and it has made certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect to the Bonds and Notes, as applicable. The opinion of Bond Counsel assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certificates.

Bond Counsel is of the further opinion that interest on the Bonds and the Notes is not an "item of tax preference" for purposes of Federal alternative minimum tax on individuals and, for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds and the Notes is, however, included in "adjusted current earnings" for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Corporate purchasers of the Bonds and the Notes should consult their tax advisors concerning the computation of any alternative minimum tax.

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

The Bonds and the Notes will NOT be designated as "qualified tax exempt obligations" within the meaning of, and pursuant of Section 265(b)(3) of the Code.

In the opinion of Bond Counsel, interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, (including The City of New York).

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the respective date of issuance and delivery of the Bonds and the Notes may affect the tax status of interest on the Bonds and the Notes.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Bonds and Notes to be subject to federal or State income taxation, or otherwise prevent Bondholders or the Noteholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Bonds or the Notes for audit examination, or the course or result of any Internal Revenue Service examination of the Bonds or the Notes or of obligations which present similar tax issues, will not affect the market price or marketability of the Bonds or the Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding the foregoing matters.

All summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE BONDS AND NOTES.

LEGAL MATTERS

The legality of the authorization and issuance of each of the Bonds and the Notes will be covered by a separate approving legal opinion of Harris Beach PLLC, Bond Counsel, Rochester, New York. Each such legal opinion will state that in the opinion of Bond Counsel (i) such Bonds or Notes, as applicable, have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, provided, however, that the enforceability (but not the validity) of the Bonds or the Notes, as applicable, may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights; (ii) under existing statutes, regulations, administrative rulings and court decisions, interest on the Bonds or the Notes, as applicable 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 Federal alternative minimum taxes imposed on individuals and, for tax year beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds is, however, included in "adjusted current earnings," for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018; (iii) interest on the Bonds or the Notes, as applicable, is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York; and (iv) based upon Bond Counsel's examination of law and review of the arbitrage certificate executed by the District Supervisor in connection with the issuance of the Bonds and the Notes pursuant to Section 148 of the Code and the regulations thereunder, the facts, estimates and circumstances as set forth in said arbitrage certificate are sufficient to satisfy the criteria which are necessary under Section 148 of the Code to support the conclusion that the Bonds or the Notes, as applicable, will not be "arbitrage bonds" within the meaning of said section, and no matters have come to Bond Counsel's attention which makes unreasonable or incorrect the representations made in said arbitrage certificate. Bond Counsel will express no opinion regarding other Federal income tax consequences arising with respect to the Bonds or the Notes.

Each legal opinion will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds or the Notes, as applicable, has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real

property subject to taxation within the boundaries of the District together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Bonds or the Notes as applicable, the same become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the District, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Bonds or the Notes as applicable, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

Disclosure Undertaking for the Bonds

At the time of the delivery of the Bonds, the District will provide an executed copy of its “Undertaking to Provide Continuing Disclosure” (the “Bond Undertaking”). Said Bond Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

- (1) On or prior to the 270th day following the end of each fiscal year, commencing with the fiscal year ending June 30, 2018 (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the sections APPENDIX A and APPENDIX B, and (ii) the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit), if any, of the District for such fiscal year, unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be provided within 60 days after it becomes available and in no event later than 360 days after the end of such fiscal year;
- (2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:
 - (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of 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.

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

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

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

- (3) in a timely manner not in excess of ten (10) business days, notice of a failure to provide the annual financial information by the date specified.

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

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

Disclosure Undertaking for the Notes

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

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

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

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 event except those events listed above.

The District’s Note Undertaking shall remain in full force and effect until such time as the principal of and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Note 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 Note Undertaking will not constitute a default with respect to the Notes.

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

Prior Disclosure History

During the past five years, the District is in compliance in all material respects with all prior undertakings pursuant to the Rule.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the District in connection with this transaction.

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. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds and Notes.

RATING

Moody's has assigned a rating of "Aa2" to the Bonds and "MIG1" to the Notes.

Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, 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 rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such bonds and notes or the availability of a secondary market for those bonds.

ADDITIONAL INFORMATION

Additional information may be obtained from the District's Assistant Superintendent for Business & Support Services, Jamie Phillips at 177 Central Avenue, Lancaster, NY 14086, phone: 716-686-3212, email: jphillips@lancasterschools.org or from the District's Financial Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

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

This Official Statement is submitted only in connection with the sale of the Bonds and 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.

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

Harris Beach PLLC, Bond Counsel to the District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer or sale of the Bonds or the Notes, including but not limited to the financial or statistical information in this Official Statement.

LANCASTER CENTRAL SCHOOL DISTRICT

By: /s/ _____
Mr. Patrick Uhteg
President of the Board of Education

DATED: May 24, 2018

APPENDIX A

THE DISTRICT

General Information

The District, which comprises an area of approximately 42 square miles, and has a current estimated population of 40,398, is located in the north-central portion of Erie County approximately ten miles east of Buffalo. On a valuation basis, the District includes most of the Town of Lancaster and portions of the Towns of Cheektowaga and Elma. The District includes the Village of Lancaster and a portion of the Village of Depew. Portions of the District closest to Buffalo are suburban residential in character while outlying areas are more rural. Most residents of the District are employed in business, industry and professions in Buffalo or the Niagara Frontier.

Transportation is provided through the District on State routes 20, 33 and 78. Bus service is provided by the Niagara Frontier Transportation Authority (Metro) on a regular, commuter basis. Major airlines operate from the Buffalo-Niagara International Airport, a 10-minute drive from the District. The New York State Thruway runs across the northern portion of the District and has an interchange immediately adjacent to the District on Route 78. Conrail provides rail facilities within the District, which operates several mainlines and spurs with industrial sidings. Passenger rail service is provided by Amtrak in the Village of Depew, just west of the District.

The majority of the District's residents receive fire protection from four regional volunteer fire companies. Police protection is provided by the Town Police Department, the Erie County Sheriff Department and the New York State Police. Electricity is supplied throughout the District by the New York State Electric and Gas Corporation and the National Grid Power Corporation. Natural gas is supplied by the National Fuel Gas Distribution Corporation. Water services are provided by the Erie County Water Authority. Sanitary sewage collection and treatment facilities are provided throughout the unincorporated portions of the District by the Towns' special assessment sewer districts. The Village provides sanitary services to their residents.

The following banks have one or more offices within the District: Bank of America, Key Bank, Evans National, and M&T Bank.

The Town of Lancaster Industrial Development and the Erie County Industrial Development Agency have been actively fostering the industrial expansion in granting incentives for companies to locate or expand within the District. Currently more than 20 manufacturing, service and research firms have located or expanded with the Town of Lancaster during the past few years. A significant portion of the District has been zoned for industrial development and additional industrial parks are being planned. Within the District there are also numerous recreational facilities, including several parks, indoor facilities and private golf and country clubs.

District Organization

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

The legislative power of the District is vested in the Board of Education (the "Board"). Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board. The Board consists of seven members serving overlapping five year terms.

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

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

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent of Business & Support Services.

Budgetary Procedure

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

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

Financial Statements and Accounting Procedures

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

School Enrollment Trends

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

TABLE 1
School Enrollment Trends

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2015-16	5,571	2018-19	5,562
2016-17	5,647	2019-20	5,459
2017-18	5,643	2020-21	5,240

Source: District Officials.

District Facilities

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

TABLE 2
District Facilities

<u>Names</u>	<u>Grades</u>	<u>Pupil Capacity</u>	<u>Insurable Value</u>
Senior High School	9-12	2,755	\$59,008,759
Aurora Middle School	7-8	1,350	27,050,830
William Street School	4-6	1,500	31,751,817
Como Park Elementary School	K-3	547	9,774,706
Court Street Elementary School	K-3	513	9,874,706
Hillview Elementary School	K-3	522	10,437,522
John A. Scoile Elementary	K-3	478	10,168,222
Central Avenue Elementary School	Misc.	<u>327</u>	<u>6,448,475</u>
	Total:	<u>7,992</u>	<u>\$164,515,037</u>

Source: District Officials.

Employees

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

TABLE 3
Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
479	Lancaster Central Teachers Association	8/31/19
17	Lancaster Administrative and Supervisors Association	6/30/19
407	Lancaster Association of Service Personnel	6/30/19
213	Lancaster Association of Substitute Teachers	6/30/19
23	Confidential Employees (non-union)	6/30/19
7	Managerial Administration Staff	6/30/19

Source: District Officials.

Employee Pension Benefits

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

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

Both the ERS and TRS are non-contributing with respect to members hired prior to July 27, 1976. The Retirement Systems are non-contributory with respect to members working ten or more years. All members working less than ten years must contribute 3% of gross annual salary toward the cost of retirement programs.

The following table details the District’s contractually required contributions to the ERS for the preceding three audited fiscal years of the system, and the budgeted amount for the fiscal year ending March 31, 2017 (for ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.):

<u>Fiscal Year End 3/31</u>	<u>ERS</u>
2018 Budgeted	\$2,287,811
2017	2,013,130
2016	2,351,843
2015	2,351,435

Source: Audited Financial Statements and Adopted Budget for Fiscal Year ending June 30, 2018

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

<u>Fiscal Year End 6/30</u>	<u>TRS</u>
2018 Budgeted	\$4,277,325
2017	4,817,257
2016	4,442,301
2015	5,085,263

Source: Audited Financial Statements and Adopted Budget for Fiscal Year ending June 30, 2018

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 ERS rate for the 2017-18 fiscal year is 15.3%. The 2017-18 ERS rate is not expected to change. The New York State TRS rate for the 2017-18 fiscal year is 9.80%. The 2018-19 TRS rate is expected to be 10.68%.

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 SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school district that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

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. 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.

Other Post-Employment Benefits

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

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

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

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

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

Changes in the Total OPEB Liability	Total OPEB Liability
Balance as of June 30, 2016	<u>\$6,461,401</u>
Changes for the year:	
Service cost	179,632
Interest	214,852
Change of assumptions	(268,433)
Differences between expected and actual experience	48,607
Benefit payments	<u>(227,550)</u>
Net changes	<u>(52,892)</u>
Balance as of June 30, 2017	<u>\$6,408,509</u>

Investment Policy/Permitted Investments

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

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, 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 primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2017 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Real Property Taxes

The District derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund” in Appendix B, herein). Property taxes accounted for 44.3% of total general fund revenues for the fiscal year ended June 30, 2017, while State aid accounted for 36.4%.

The following table sets forth total general fund revenues and real property tax and tax item revenues during the audited fiscal years ending June 30, 2013 through 2017, and the current and ensuing budgeted fiscal years.

TABLE 4
Property Taxes

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Total</u> <u>Revenues</u>	<u>Real Property</u> <u>Tax Revenues</u> ⁽¹⁾	<u>Real Property</u> <u>Tax Revenues to</u> <u>Revenues</u>
2013	\$82,376,401	\$46,413,892	56.3%
2014	83,366,250	48,148,194	46.8%
2015	86,942,854	49,796,763	46.5%
2016	91,763,125	50,737,800	44.8%
2017	95,032,313	51,528,210	44.3%
2018 <i>Budget</i>	100,624,069	52,724,588	52.4%
2019 <i>Budget</i>	104,343,965	54,950,771	52.7%

⁽¹⁾ General Fund only.

Source: 2013-2017 Audited Financial Statements and 2018 and 2019 Adopted Budgets of the District.

State Aid

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

The following table sets forth total general fund revenues and real property tax and tax item revenues during the audited fiscal years ending June 30, 2013 through 2017, current and ensuing budgeted fiscal years.

TABLE 5
State Aid

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>State Aid</u> ⁽¹⁾	<u>Percentage of Total Revenues</u> <u>Consisting of State Aid</u>
2013	\$82,376,401	\$28,228,377	34.3%
2014	83,366,250	27,660,726	33.2%
2015	86,942,854	29,205,914	33.6%
2016	91,763,125	32,955,008	35.8%
2017	95,032,313	34,609,578	36.4%
2018 <i>Budget</i>	100,624,069	35,069,008	34.9%
2019 <i>Budget</i>	104,343,965	37,208,979	35.6%

⁽¹⁾ General Fund only.

Source: 2013-2017 Audited Financial Statements and 2018 and 2019 Adopted Budget of the District.

The District also receives a portion of its revenues in the form of State aid. However, there is no assurance that the State appropriation for State aid to school districts will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

In addition to the amount of State Aid budgeted by the District in 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 “STAR-School Tax Exemption”) Program. The District expects to receive 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 is scheduled to be 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 Bonds and Notes, nor the ability of the District to levy taxes on the taxable real property in the District to pay the Bonds and Notes and the interest thereon as the same shall become due and payable.

The Gap Elimination Adjustment (“GEA”) law was first introduced for the 2010-11 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under legislation, a portion of the funding shortfall at the state level is divided among all school districts throughout the State and reflected as a reduction in school district state aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since the program began, the GEA and Deficit Reduction Assessment reduction in State aid for the District has amounted to approximately \$4.34 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 \$692,881, dropping the total GEA to \$3.65 million. In the 2015-16 fiscal year, it has been further reduced by \$2.3 million, yielding a remaining GEA of \$1.34 million. In the 2016-17 fiscal year, the GEA was 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 \$2,982,935.

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.

No delay in payment of State aid for the District's 2017-18 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 provided for school aid of approximately \$23.5 billion, which represented an increase of approximately \$1.3 billion, or 7.4%, in total school aid spending from the 2014-15 school year. The budget continued a three-year appropriation methodology established in the 2011-12 State fiscal year and limited 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 adopted State budget included an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase included \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The budget includes School Aid spending of \$24.8 billion, a \$1.5 billion increase (6.5% increase) from the prior fiscal year.

School district fiscal year (2017-18): The State budget was adopted on April 9, 2017 and signed by the Governor on April 20, 2017. The adopted State budget increased 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 was 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 adopted State budget continued 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 included a provision to permit school districts to authorize and establish conditions for the partial payment of property taxes.

The State budget provisions relating to school districts for the forthcoming District fiscal year were adopted on March 30, 2018.

The budget increases Education Aid by \$1 billion, including a \$619 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$26.7 billion or an increase of 3.9 percent.

The Adopted State Budget for the 2018-19 fiscal year provides \$37.9 million of State Aid to the District, a 7.03% increase from the District's 2017-18 fiscal year.

The District presently anticipates an increase in its State Aid not related to building aid for its 2018-2019 fiscal year in an amount of \$1,490,189.

It should also be noted that the District receives federal aid for certain programs. In its 2016-17 fiscal year, which is the most recent for which an audited financial statement is currently available, the District received \$487,673 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 "No Designation." (See <http://www.osc.state.ny.us/localgov/fiscalmonitoring/schools/pdf/2017/summary-list.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 July 15, 2016, OSC, Division of Local Government and School Accountability released an audit of the District to review the District's financial condition for the period July 1, 2012 to December 8, 2015. The audit found that District's Board adopted budgets in 2012-13, 2013-14, and 2014-15 that included the use of fund balance and reserves to finance operations and District Officials have not developed a plan to ensure that debt reserve funds are used for related debt obligations. It also found that the District's written

policy for reserves does not address how the suitable balance for each of the reserves will be determined or when these funds will be used or replenished. The OSC audit recommended that the District develop realistic estimates of appropriations and the use of fund balance and reserves in the annual budget, ensure the debt reserve is used to pay related debt as required, and update the existing reserve policy by indicating the amount of funds to be reserved, how each reserve will be funded and when the balances will be used and replenished to finance related costs. The link to this OSC report is: www.osc.state.ny.us/localgov/audits/schools/2016/lancaster.pdf.

OSC, Division of Local Government and School Accountability, has not conducted any other audits of the District in the past five years.

Other Revenues

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

TAX INFORMATION

Real Property Tax Assessments and Rates

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

Roll Year	2013	2014	2015	2016	2017
Tax Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town of Lancaster					
Assessed Value	\$2,466,182,438	\$2,500,952,179	\$2,550,795,878	\$2,612,979,136	\$2,682,508,796
Equalization Rate ⁽²⁾	100.00%	100.00%	98.00%	95.00%	92.00%
Full Value	2,466,182,438	2,500,952,179	2,602,852,937	\$2,750,504,353	\$2,915,770,430
Tax Rate ⁽¹⁾	16.408744	16.678012	17.037412	16.963817	16.986668
Town of Cheektowaga					
Assessed Value	208,300,230	349,817,805	350,694,274	357,268,144	356,846,138
Equalization Rate ⁽²⁾	62.00%	100.00%	100.00%	100.00%	100.00%
Full Value	335,968,113	349,817,805	350,694,274	357,268,144	356,846,738
Tax Rate ⁽¹⁾	26.465968	16.678095	16.759236	16.189754	15.697201
Town of Elma					
Assessed Value	691,924	689,250	698,248	699,708	698,126
Equalization Rate ⁽²⁾	4.90%	4.70%	4.60%	4.40%	4.28%
Full Value	14,120,898	14,664,894	15,179,304	15,902,454	16,311,355
Tax Rate ⁽¹⁾	334.870694	354.850033	370.588990	374.001000	372.070534
Total:					
Assessed Value	\$2,675,174,592	\$2,851,459,234	\$2,902,188,400	\$2,970,946,988	\$3,040,053,060
Full Value	\$2,816,271,449	\$2,865,434,878	\$2,968,726,515	\$3,123,674,951	\$3,288,927,924
Tax Levy	\$46,211,252	\$47,789,854	\$48,664,133	\$49,472,993	\$50,544,983

(1) Per \$1,000

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

Source: School Officials

Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. 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 2012-13 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%) 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 cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures”, are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and this is an exclusion from the tax levy limitation.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

“So, too, although the Legislature is given the duty to restrict school districts in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipal corporations.

Therefore, while the Tax Levy Limitation Law may constrict a school district’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit a school district’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit a school district’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a school district authority to treat debt service payments as a constitutional exception to any such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

Real Property Tax Rebate (Chapter 20)

Chapter 20 introduced a new real property tax rebate program that will provide state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see “STAR - School Tax Exemption,” herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20

Real Property Tax Rebate. For 2016, eligible taxpayers who reside outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) will receive \$130, and eligible taxpayers who reside outside the MCTD will receive \$185. Credits in 2017-2019 vary based on a taxpayer’s personal income level and STAR tax savings.

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. 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 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

The real property taxes of the District are collected by the Town’s. Such taxes are due on October 15, and may be paid without penalty through October 15. The Town’s pay to the District the amounts collected on a periodic basis. The penalty on unpaid taxes is 7.5% from October 16 to October 31 and 9% if paid between November 1 to November 30. On or about December 1, the Town’s file a report of any uncollected District taxes with the County. The County thereafter on or before April pays to the District the full amount of its uncollected taxes. Thus, the full amount of the District’s real property tax levy is collected by the District in the fiscal year of the levy. The County has the power to issue and sell tax anticipation notes to fund the reimbursement of uncollected taxes due to the District.

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

STAR - School Tax Exemption

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

For the 2018-19 school year, home owners, subject to certain household income limitations, are eligible for an enhanced exemption and basic exemption as follows:

<u>Town of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
Lancaster	\$61,460	27,600
Cheektowaga	66,800	30,000
Elma	2,860	1,280

Date Certified: 4/9/2018

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 school district initially calculates their tax bills, for each municipal segment they will compare the amount

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

The maximum savings for each of the municipalities for the 2018-19 fiscal year are as follows:

<u>Town of:</u>	<u>Enhanced Maximum Savings</u>	<u>Basic Maximum Savings</u>
Lancaster	\$1,032	\$494
Cheektowaga	1,032	480
Elma	1,032	501

Date Certified: 3/27/2018

The District expects to receive full reimbursement for the 2017-18 fiscal year.

Ten of the Largest Taxpayers

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

TABLE 7
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u>	<u>% of Total Assessed Valuation</u>
NYS Electric & Gas Corp.	Utility	\$33,114,207	1.09%
Transit Road Apartments	Apartment	16,940,000	0.56%
Italian Gardens Real Est. Corp	Commercial	16,435,300	0.54%
National Fuel Gas Distribution	Utility	14,698,129	0.48%
Tranwer, LLC	Commercial	11,713,000	0.39%
Wal-Mart Stores East LP	Commercial	11,392,856	0.37%
Juniper Boulevard LLC	Apartment	10,850,000	0.36%
Fairways at Lancaster Holdings	Apartment	9,895,000	0.33%
5828 Broadway LLC	Apartment	9,499,000	0.31%
Kohl’s Illinois Inc.	Commercial	<u>8,450,000</u>	<u>0.28%</u>
Totals		<u>\$142,987,492</u>	<u>4.70%</u>

The top ten taxpayers of the District represent 4.70% of the District’s 2017 Assessed Valuation of \$3,040,053,060 used to levy 2017-18 taxes.

Source: District Officials

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under “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 District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 until the plans and specification for such project have been approved by the Commissioner of Education of the State.

The Local Finance Law also provides a 20-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the bond resolution pursuant to which the Bonds and Notes are being issued.

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, also has the power to authorize the sale and issuance of bonds and notes, including the Bonds and Notes. However, such finance board may delegate the power to sell the 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. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

Statutory Debt Limit and Net Indebtedness

The debt limit of the District is \$328,892,792. This is calculated by taking 10% of the current full value of the taxable real property of the District.

TABLE 8
Statutory Debt Limit and Net Indebtedness

(As of May 23, 2018)

<u>Town</u>	<u>Assessed Valuation</u>	<u>Equalization Rate</u>	<u>Full Valuation</u>
Lancaster	\$2,682,508,796	92.00%	\$2,915,770,430
Cheektowaga	356,846,138	100.00%	356,846,138
Elma	698,126	4.28%	16,311,355
Total Full Valuation of Taxable Real Property			\$3,288,927,924
Debt Limit (10% of Full Valuation)			\$328,892,792
Outstanding Indebtedness (Principal Only):			
Serial Bonds			16,240,000
Bond Anticipation Notes			51,532,492
Less: Exclusions ⁽¹⁾			<u>0</u>
Total Net Indebtedness			\$67,772,492
Net Debt-Contracting Margin			<u>\$261,120,300</u>
Percentage of Debt-Contracting Margin Exhausted			<u>20.61%</u>

⁽¹⁾ In prior years the District received State debt service building aid in a calculated amount of approximately 76.5% of its outstanding bonded indebtedness. Given the new "assumed amortization" of State building aid as provided in Chapter 383 of the Laws of 2001, no assurance can be given regarding the direct or indirect effect that "assumed amortization" will have on the 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 issuance of bonds or notes. See also "FINANCIAL FACTORS-State Aid" herein.

Source: District Officials

Remedies Upon Default

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

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 Bondholders and 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, although any permanent repeal by statute or constitutional amendment of a Noteholder's 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 and noteholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

There is in the 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.

Short-Term Note Indebtedness

Following the issuance of the Notes, the District will have \$43,577,115 in outstanding bond anticipation notes which will mature on June 13, 2019.

Outstanding Long-Term Bond Indebtedness

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

TABLE 9
Outstanding Long-Term Bond Indebtedness

Fiscal Year	
<u>Ending June 30:</u>	<u>Total Bonded Debt</u>
2013	\$34,987,000
2014	30,495,000
2015	26,490,000
2016	22,495,000
2017	18,405,000

Source: Audited Financial Statements

Overlapping and Underlying Debt

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

TABLE 10
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt</u>		<u>District</u>	<u>Amount Applicable</u>
	<u>Outstanding</u>	<u>As of</u>	<u>Share</u>	<u>To District</u>
Erie County	\$475,089,545	09/30/17	5.47%	\$25,987,398
Town of Lancaster	17,802,000	07/05/17	87.81%	15,631,936
Town of Cheektowaga	42,650,000	06/29/17	7.25%	3,092,125
Town of Elma	0	12/31/15	1.17%	0
Village of Depew	8,225,000	04/06/17	23.08%	1,898,330
Village of Lancaster	6,495,000	02/22/16	98.00%	<u>6,365,100</u>
Total Net Overlapping Debt				\$ 52,974,889
Total Net Direct Debt				<u>\$ 67,772,492</u>
Net Direct and Overlapping Debt				<u>\$ 120,747,381</u>

Sources: Annual Reports of the last fiscal year on file with the State of New York Office of the State Comptroller. Official Statements

Debt Ratios

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

TABLE 11
Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita</u> ⁽¹⁾	<u>Debt to Full Value</u> ⁽²⁾
Net Direct Debt	\$ 67,772,492	\$1,677	2.06%
Net Direct and Overlapping Debt	\$120,747,381	\$2,988	3.67%

⁽¹⁾ The population of the District is currently estimated by District Officials to be 40,398.

⁽²⁾ The District’s estimated full value of taxable real property for fiscal year 2017-18 is \$3,288,927,924.

Authorized but Unissued Indebtedness

Following the issuance of the Notes, The District will have \$3,000,000 of authorized but unissued indebtedness of the \$47,115,734 in serial bonds approved by the voters on May 19, 2015. The District expects to issue debt in an amount equal to the remaining authorized but unissued indebtedness over the next two years

Debt Service Schedule

The following table shows the debt service requirements to maturity on the District’s outstanding bonded indebtedness as of May 24, 2018.

TABLE 12
Bond Principal and Interest Maturity Table

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2018	\$1,470,000	\$211,984	\$1,681,984
2019	2,720,000	451,869	3,171,869
2020	2,820,000	368,219	3,188,219
2021	1,610,000	290,556	1,900,556
2022	1,660,000	239,856	1,899,856
2023	1,705,000	197,056	1,902,056
2024	1,765,000	143,156	1,908,156
2025	1,830,000	76,038	1,906,038
2026	360,000	16,050	376,050
2027	<u>300,000</u>	<u>7,500</u>	<u>307,500</u>
	<u>\$16,240,000</u>	<u>\$2,002,284</u>	<u>\$18,242,284</u>

Note: Columns may be off slightly due to rounding.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The District estimates its population to be approximately 40,398. The following table presents population trends for the Town of Lancaster (the “Town”), County and State, based upon recent census data. Data provided in the following table is not necessarily representative of the District.

TABLE 13
Population Trend

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
Town	39,019	41,604	6.6%
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: U.S. Census

Income

The following table presents median per capita income for the Town, County and State. Data provided in the following table is not necessarily representative of the District.

TABLE 14
Median per Capita Income

	<u>2000</u>	<u>2010</u>	<u>% Change</u>
Town	21,723	28,005	28.9%
County	20,357	26,378	29.5%
State	23,389	30,948	32.3%

Source: New York State Department of Commerce; New York State Department of Economic Development.

Employment and Unemployment

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

TABLE 15
Civilian Labor Force
(Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town	23.5	23.2	23.4	23.4	23.4
County	460.3	450.4	451.2	448.1	448.6
State	9,659.3	9,591.3	9,644.6	9,668.7	3704.7

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

TABLE 16
Yearly Average Unemployment Rates

<u>Year</u>	<u>Town</u>	<u>County</u>	<u>State</u>
2013	6.2%	7.4%	7.7%
2014	5.2%	6.1%	6.3%
2015	4.5%	5.3%	5.3%
2016	4.2%	4.9%	4.8%
2017	4.5%	5.2%	4.7%

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

TABLE 17
Monthly Unemployment Rates

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
April 2017	4.3%	4.9%	4.4%
May	4.0%	4.9%	4.4%
June	3.9%	5.0%	4.6%
July	3.9%	5.3%	4.9%
August	3.8%	5.2%	4.9%
September	3.9%	4.9%	4.7%
October	4.0%	4.8%	4.4%
November	4.3%	5.0%	4.4%
December	4.6%	5.2%	4.4%
January 2018	5.2%	5.8%	5.1%
February	5.4%	6.1%	5.1%
March	4.8%	5.6%	4.8%

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

TABLE 18
Five Largest Employers

<u>Name</u>	<u>Type of Product or Service</u>	<u>Approximate Number of Employees</u>
Lancaster Central School District	Public Education	1,311
C&S Wholesale Grocers	Distribution Services	720
American Sales Co.	Warehouse	570
Avox Systems	Industry	325
Ecology & Environment	Environmental	310

Source: School District Officials.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

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

END OF APPENDIX A

APPENDIX B

**SUMMARY OF FINANCIAL
STATEMENTS AND BUDGETS**

Lancaster Central School District
Statement of Budgeted Appropriations and Estimated Revenues
General Fund
Fiscal Year Ending June 30:

	<u>Adopted</u> <u>2017-18</u>	<u>Adopted</u> <u>2018-19</u>
<u>Revenues:</u>		
Real Property Taxes	\$52,724,588	\$54,950,771
Non-Property Taxes	6,200,000	6,200,000
Use of Money & Property	86,800	86,800
Charges For Services	526,187	531,977
Sale of Property and Compensation for Loss	21,700	21,700
Miscellaneous	420,000	420,000
State Aid	35,069,008	37,208,979
Federal Aid	350,000	350,000
Other Sources	10,000	10,000
Interfund Transfers	5,215,786	4,563,738
Subtotal	<u>100,624,069</u>	<u>104,343,965</u>
Appropriated Surplus	3,243,450	3,138,258
Total Est. Revenue and Fund Balance	<u><u>\$103,867,519</u></u>	<u><u>107,482,223</u></u>
<u>Appropriations:</u>		
General Support	11,365,998	12,187,816
Instruction	53,765,801	55,983,594
Pupil Transportation	6,876,740	6,985,643
Community Services	12,150	12,150
Employee Benefits	24,910,324	24,649,036
Debt Service	6,636,506	7,363,984
Interfund Transfers	300,000	300,000
Total Appropriations	<u><u>\$103,867,519</u></u>	<u><u>\$107,482,223</u></u>

Source: Adopted Budgets of the District

**Lancaster Central School District
Comparative Balance Sheet
General Fund
Fiscal Year Ending June 30:**

	<u>2016</u>	<u>2017</u>
<u>Assets:</u>		
Unrestricted Cash and Cash Equivalent	\$11,136,980	\$10,409,289
Restricted Cash and Cash Equivalent	30,237,756	33,289,550
Receivables	48,166	335,112
Due from Other Funds	1,351,480	1,939,775
Due From Other Governments	<u>1,557,456</u>	<u>938,078</u>
Total Assets	<u><u>\$44,331,838</u></u>	<u><u>\$46,911,804</u></u>
<u>Liabilities:</u>		
Accounts Payable	\$232,187	\$311,269
Accrued Liabilities	795,947	250,816
Due to Other Funds	1,254,635	0
Due to Retirement Systems	5,485,972	5,369,288
Unearned Revenue	<u>20,393</u>	<u>20,014</u>
Total Liabilities	<u>7,789,134</u>	<u>5,951,387</u>
<u>Fund Equity</u>		
Fund Balances:		
Restricted	30,217,363	33,269,536
Assigned	2,393,882	3,629,659
Unassigned	<u>3,931,459</u>	<u>4,061,222</u>
Total fund balances	<u>36,542,704</u>	<u>40,960,417</u>
Total Liabilities and Fund Equity	<u><u>\$44,331,838</u></u>	<u><u>\$46,911,804</u></u>

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

Lancaster Central School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Fiscal Year Ending June 30:

Revenues:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Real Property Taxes	\$37,409,813	\$39,033,898	\$40,417,633	\$41,091,797	\$42,072,584
Real Property Tax Items	9,004,079	9,114,296	9,379,130	9,646,003	9,455,626
Non-Property Tax Items	6,245,472	6,264,133	6,381,402	6,422,964	6,514,497
Charges for Services	414,948	467,310	473,329	497,936	505,183
Use of Money and Property	238,620	181,092	127,747	110,703	104,680
Sale of Property	24,210	36,723	12,740	10,463	44,030
Miscellaneous	461,635	504,340	350,869	624,733	1,238,462
State Sources	28,228,377	27,660,726	29,205,914	32,885,537	34,609,578
Federal Sources	349,247	103,732	594,090	472,989	487,673
Total Revenues	<u>82,376,401</u>	<u>83,366,250</u>	<u>86,942,854</u>	<u>91,763,125</u>	<u>95,032,313</u>
Expenditures:					
General Support	8,260,427	9,010,622	9,197,151	9,164,679	9,578,154
Instruction	42,110,718	43,486,413	44,970,854	46,980,980	48,580,749
Pupil Transportation	5,496,957	5,152,819	5,397,483	5,261,980	5,694,920
Community Service	10,468	10,375	10,515	10,551	2,836
Employee Benefits	20,881,349	21,643,510	21,555,379	21,671,579	20,306,793
Total Expenditures	<u>76,759,919</u>	<u>79,303,739</u>	<u>81,131,382</u>	<u>83,089,769</u>	<u>84,163,452</u>
Excess Revenues (Expenditures)	5,616,482	4,062,511	5,811,472	8,673,356	10,868,861
Other Sources and (Uses)					
Operating Transfers In	1,740,000	0	0	0	0
Operating Transfers Out	(6,350,683)	(5,363,450)	(5,295,084)	(5,375,869)	(6,451,148)
Total Other Sources and (Uses)	<u>(4,610,683)</u>	<u>(5,363,450)</u>	<u>(5,295,084)</u>	<u>(5,375,869)</u>	<u>(6,451,148)</u>
Excess Revenues (Expenditures) and other sources (uses)	1,005,799	(1,300,939)	516,388	3,297,487	4,417,713
Fund Balance - Beg. of Fiscal Year	<u>33,023,969</u>	<u>34,029,768</u>	<u>32,728,829</u>	<u>33,245,217</u>	<u>36,542,704</u>
Fund Balance - End of Fiscal Year	<u><u>\$34,029,768</u></u>	<u><u>\$32,728,829</u></u>	<u><u>\$33,245,217</u></u>	<u><u>\$36,542,704</u></u>	<u><u>\$40,960,417</u></u>

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

APPENDIX C

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

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

<https://emma.msrb.org/ER1095591-ER857250-ER1257908.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. Drescher & Malecki LLP has not been requested by the District
to further review and/or update such Financial Statements or opinion in connection
with the preparation and dissemination of this Official Statement.**