

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Notes offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

# PRELIMINARY OFFICIAL STATEMENT DATED August 8, 2017

## NEW ISSUE

## BOND ANTICIPATION NOTES

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

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

## CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA NIAGARA COUNTY, NEW YORK

**\$18,787,374**

### BOND ANTICIPATION NOTES – 2017 (the "Notes")

**Dated Date: August 24, 2017**

**Maturity Date: August 24, 2018**

The Notes are general obligations of the City School District of the City of North Tonawanda, in Niagara County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount.

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

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

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof except for on necessary odd denomination. A single note certificate will be issued for those 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 Notes will be paid in Federal Funds by the District 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 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.

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

Capital Markets Advisors, LLC has served as Municipal Advisor to the District in connection with the issuance of the Notes.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about August 24, 2017.

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

August \_\_, 2017

**CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA  
NIAGARA COUNTY, NEW YORK**

**Board of Education**

Thad McMurray  
**President**

Cheryl McMahon..... Vice President  
Colleen Angelhow..... Trustee  
Michele Golding..... Trustee  
Matthew Kennedy..... Trustee  
Zachary Niemiec..... Trustee  
John Zloty..... Trustee

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Gregory J. Woytila ..... Superintendent of Schools  
Alan Getter ..... Assistant Superintendent Administrative Services  
Anthony Montoro ..... Assistant School Business Official  
Debra Bundt ..... District Clerk

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**BOND COUNSEL**

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

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**FINANCIAL ADVISOR**



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

No dealer, broker, salesperson 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

### CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA NIAGARA COUNTY, NEW YORK

relating to

**\$18,787,374**

### **BOND ANTICIPATION NOTES – 2017 (the “Notes”)**

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, presents certain information relating to the City School District of the City of North Tonawanda, in the County of Niagara, in the State of New York (the “District”, “County” and “State,” respectively) in connection with the sale of \$18,787,374 Bond Anticipation Notes - 2017 (the “Notes”).

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

### **THE NOTES**

#### ***Description***

The Notes will be dated August 24, 2017 and will mature, without option of prior redemption, as set forth on the front cover page.

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

#### ***Authority for and Purpose of the Notes***

The Notes are authorized to be issued pursuant to the Constitution and laws of the State, including the Education Law, the Local Finance Law and a bond resolution duly adopted by the Board of Education on September 2, 2015 and thereafter approved as a bond proposition by qualified voters of the District on October 27, 2015 authorizing the issuance of \$36,476,000 in serial bonds to pay for the financing of the reconstruction and construction of improvements and additions to various District buildings and sites.

#### ***Nature of Obligation***

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal 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 Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. On June 24, 2011, the Governor signed into law Chapter 97 of the Laws of 2011 (the “Law”), imposing a limitation upon the District’s power to increase its annual tax levy. The Law provides an express exception from such limitation for those taxes to be levied to pay debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or

notes. As the Notes are being issued to finance voter approved capital expenditures, the Notes qualify for such exception. (See *"The Tax Levy Limit Law,"* herein.)

### ***Book-Entry Only System***

The following applies to those Notes issued in book entry form. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Notes 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC

mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

Source: The Depository Trust Company

### **REMEDIES UPON DEFAULT**

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

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

on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

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

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

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

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

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

### **SECTION 99-B OF THE STATE FINANCE LAW**

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for

school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

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

### **NO PAST DUE DEBT**

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

### **BANKRUPTCY**

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

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



## **MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE**

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

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

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

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

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

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

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

## **TAX MATTERS**

### ***Opinion of Bond Counsel***

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a

preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed upon such corporations. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

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

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

### ***Certain Ongoing Federal Tax Requirements and Certifications***

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

### ***Certain Collateral Federal Tax Consequences***

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

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

### ***Original Issue Discount***

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates)

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

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

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

### ***Note Premium***

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

### ***Information Reporting and Backup Withholding***

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

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

credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### ***Miscellaneous***

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

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

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES**

### ***Absence of Litigation***

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

### ***Legal Matters***

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

### ***Closing Certificates***

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

## **DISCLOSURE UNDERTAKING**

### ***Disclosure Undertaking for the Notes***

At the time of the delivery of the Notes, the District will provide an executed copy of its “Undertaking to Provide Notices of Events” substantially as set forth in Appendix E.

### ***Prior Disclosure History***

The District is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

## **RATING**

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

Moody’s Investors Services, Inc. (Moody’s) has assigned a rating of “Aa3” to the uninsured outstanding bonded indebtedness of the District.

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

## **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC, 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 Notes.

## **ADDITIONAL INFORMATION**

Additional information may be obtained from Mr. Alan Getter, Assistant Superintendent of Administrative Services Contact: Phone (716) 807-3504; Email: agetter@ntschoools.org; Address: 176 Walck Road, North Tonawanda, NY 14120 or from the District's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

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

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://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 Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

**City School District of the City of North Tonawanda  
Niagara County, New York**

By: \_\_\_\_\_  
Thad McMurray  
President of the Board of Education

DATED: August 8, 2017

**APPENDIX A**

**THE DISTRICT**

## **THE DISTRICT**

### ***General Information***

The District, with an area of approximately 11 square miles and an estimated population of 31,110, is located midway between the cities of Buffalo and Niagara Falls at the junction of the Niagara River and the New York State Barge Canal in the southern part of Niagara County. The District encompasses the entire City of North Tonawanda.

Located in the center of the industrial area of the Niagara Frontier, the City of North Tonawanda has been primarily an industrial community. Major companies include Jensen Fittings and Chesapeake Packaging Co. Highways include the New York State Thruway and Interstate 290. Major airlines operate from the nearby Buffalo Niagara International Airport. In addition, public transportation is provided by the Niagara Frontier Transportation Authority's Metro Bus System.

Sewer, sanitation and water facilities are furnished by the City of North Tonawanda. Gas and electric services are provided by National Fuel Gas Corporation and National Grid Power Corporation.

Numerous cultural and recreational attractions are available to the residents of the District in surrounding communities, including the world famous Niagara Falls, Buffalo Museum of Science, Buffalo Historical Museum, Buffalo Zoological Gardens, Albright-Knox Art Gallery, and Kleinhan's Music Hall. In addition, professional sport teams represent the City of Buffalo in football, baseball and ice hockey.

### ***District Organization***

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

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

### ***Financial Organization***

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

### ***District Facilities***

The District operates eight schools; statistics relating to each are shown below.

**TABLE 1**  
**School Statistics**

<b><u>Name</u></b>	<b><u>Capacity</u></b>	<b><u>Year of Construction</u></b>	<b><u>Year of Last Addition</u></b>	<b><u>Insurable Amount</u></b>
Gilmore Elementary	621	1926	1958	\$ 7,265,656
Spruce Elementary	567	1954	1993	10,728,558
Grant Elementary	432	1954	1993	5,588,203
Drake Elementary	470	1956	1993	5,913,774
Ohio Elementary	540	1962	1988	7,702,419
Meadow Elementary*	600	1962	1995	
Middle School	1,015	1967	2010	26,506,402
Senior High*	1,975	1962	2001	

\* Meadow Elementary & Senior High are insured as one building – Meadow Complex - \$56,364,934

Source: *District Officials.*



## ***Employees***

The District provides services through 663 employees all of whom are represented by the following organizations.

**TABLE 2**  
**Employees**

<b><u>Number of Employees</u></b>	<b><u>Organization</u></b>	<b><u>Contract Expiration Date</u></b>
315	North Tonawanda United Teachers	6/30/19
104	Per Diem Substitute Teachers Association	6/30/16*
103	Local #872 CSEA – Clerical	6/30/16*
69	Local #872 CSEA – Custodian/Maintenance	6/30/18
51	Local #872 CSEA – Bus Drivers/Attendants	6/30/19
13	North Tonawanda Administrators Association	6/30/20
8	Managerial / Confidential	6/30/18

*Source: District Officials.*

## ***Employee Pension Benefits***

New York State Certified (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-certified employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System (“ERS”).

Both the TRS and ERS (the “State Retirement System” or “SRS”) are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year’s full-time service, contribute 3% of their 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 two audited fiscal years, and the estimated amount for the fiscal year ending March 31, 2016 (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.):

<b><u>Fiscal Year End 3/31</u></b>	<b><u>ERS</u></b>
2018 (Estimated)	\$746,152
2017 (Estimated)	742,180
2016	866,199
2015	987,331
2014	1,165,954

*Source: Audited Financial Statements and District Officials*

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

<b><u>Fiscal Year End 6/30</u></b>	<b><u>TRS</u></b>
2018 (Estimated)	\$2,500,000
2017 (Estimated)	3,595,562
2016	4,401,987
2015	4,015,377
2014	3,025,099

*Source: Audited Financial Statements and District Officials*

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. 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 2016-17 fiscal year is 16.1%. The 2017-18 TRS rate is not expected to change. The New York State TRS rate for the 2016-17 fiscal year is 11.72%. The 2017-18 TRS rate is expected to be 9.8%.

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 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. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

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

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

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for the District.

The District is in compliance with the requirements of GASB 45, and a summary of the actuarial valuation is included in the District’s June 30, 2016 Financial Audit attached herein. The following table summarizes the District’s annual OPEB for the year ended June 30, 2015 and 2016:

	<u><b>2015</b></u>	<u><b>2016</b></u>
Annual Required Contribution	\$1,037,046	\$1,037,046
Interest	39,849	48,453
ARC adjustment	<u>(41,267)</u>	<u>(50,177)</u>
Annual OPEB Costs	1,035,628	1,035,322
Contributions made	<u>(820,545)</u>	<u>(877,000)</u>
Increase in net OPEB obligation	215,083	158,322
Net OPEB obligation – beginning of the year	<u>996,231</u>	<u>1,211,314</u>
Net OPEB obligation – end of year	<u><u>\$1,211,314</u></u>	<u><u>\$1,369,636</u></u>

*Source: Audited Financial Statements*

As of June 30, 2015, the plan was not funded. The unfunded actuarial accrued liability for benefits for governmental activities was \$17,742,627.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to

partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

On April 13, 2015, State Comptroller Thomas P. DiNapoli announced legislation to create an optional investment pool to help the state and local governments fund retiree health insurance and other post-employment benefits (OPEB). DiNapoli's proposal would authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities. Additionally, it would establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments, and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

### ***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 notes issued by the District; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

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

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

## **FINANCIAL FACTORS**

### ***Revenues***

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

## ***Property Tax Revenue***

The District derives a major portion of its revenues from a tax on real property. Property taxes accounted for 41.9% total general fund revenues for the fiscal year ended June 30, 2016 while State aid accounted for 54.5%. Over the last five fiscal years, property tax revenues increased by 6.6% while State aid increased by 10%.

The following table sets forth information regarding real property tax revenues during the last five fiscal years and budgeted for the (previous and) current fiscal year(s).

**Table 3**  
**Property Taxes**

<b><u>Fiscal Year</u></b>	<b><u>General Fund Revenues</u></b>	<b><u>Real Property Taxes</u></b>	<b><u>Real Property Taxes to Revenues</u></b>
2012	\$60,026,009	\$25,915,542	43.1%
2013	59,881,102	26,423,218	44.1%
2014	60,770,233	27,124,636	44.6%
2015	63,280,927	27,640,597	43.7%
2016	65,995,897	27,629,356	41.9%
2017 (Budget)	67,557,665	27,680,053	41.0%
2018 (Budget)	68,384,228	28,046,677	41.0%

Source: Audited Financial Statements and Adopted Budget(s)

## ***State Aid***

The District also receives a significant portion of its revenues in the form of State aid for operating purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute.

The following table sets forth State aid revenues during the last five fiscal years and budgeted for the (previous and) current fiscal year(s).

**Table 4**  
**State Aid**

<b><u>Fiscal Year</u></b>	<b><u>Total General Fund Revenues</u></b>	<b><u>State Aid</u></b>	<b><u>State Aid to Revenues</u></b>
2012	\$60,026,009	\$32,685,629	54.4%
2013	59,881,102	32,148,828	53.6%
2014	60,770,233	32,326,761	53.2%
2015	63,280,927	33,833,759	53.5%
2016	65,995,897	35,939,684	54.5%
2017 (Budget)	67,557,665	37,768,770	55.9%
2018 (Budget)	68,384,228	38,253,948	55.9%

Source: Audited Financial Statements and Adopted Budget(s)

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

## ***Recent Events Affecting New York School Districts***

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

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

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

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

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

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

The 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.

### ***Budgetary Procedure***

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

Effective September 1, 1996, the Education Law was amended to require all small city school districts in cities with populations under 125,000, including the District, to provide for the submission of their annual budgets for approval of the school district voters in the same manner as other non-city school districts in the State. Under current law, the budget is submitted to voter referendum on the third Tuesday of May each year.

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

## ***The State Comptroller’s Fiscal Stress Monitoring System***

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

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

The most current applicable report of the State Comptroller designates the District as “No Designation.” (See [www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/schools/schoolsummarylist.pdf](http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/schools/schoolsummarylist.pdf)).

## ***New York State Comptroller’s Audit***

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

The OSC has not conducted any audits of the District in the past 3 years.

## ***Independent Audit***

The financial statements of the District are audited each year by an independent public accountant and are available for public inspection upon request. A copy of the District’s most recent audited financial statement appears in Appendix C, herein.

## **TAX INFORMATION**

### ***Real Property Tax Assessments and Rates***

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

	<b>Table 5</b>					
	<b><u>Real Property Tax Rates and Tax Levy*</u></b>					
	(Fiscal Years Ending June 30)					
	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>	<b><u>2017-18**</u></b>
Tax Levy	\$27,479,046	\$28,180,398	\$28,710,948	\$28,734,358	\$29,090,221	\$29,459,003
Tax Rate <sup>(1)</sup>	22.00	22.54	22.83	22.89	23.36	23.48

<sup>(1)</sup> Per \$1,000 Assessed Value.

\* Includes Public Library Levy

\*\* Estimated

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

<b><u>Based on Regular Equalization Rates</u></b>					
<u>Year of Assessment Roll</u>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<u>Fiscal Year for Taxes</u>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>	<b><u>2017-18</u></b>
Assessed Value	\$1,250,313,735	\$1,257,456,996	\$1,255,368,301	\$1,245,195,903	\$1,254,688,732
Equalization Rate	97.00%	92.00%	91.00%	87.00%	83.00%
Full Value	\$1,288,983,232	\$1,366,801,082	\$1,379,525,605	\$1,431,259,659	1,511,673,171
<b><u>Based on Special Equalization Rates</u></b>					
<u>Year of Assessment Roll</u>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u>Fiscal Year for Taxes</u>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>	<b><u>2017-18</u></b>
Assessed Value	\$1,249,171,595	\$1,250,313,735	\$1,257,456,996	\$1,255,368,301	\$1,245,195,903
Special Equalization Rate	91.80%	90.23%	86.14%	84.67%	83.33%
Full Value	\$1,360,753,371	\$1,385,696,260	\$1,459,782,907	\$1,482,660,093	\$1,494,294,855

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

### ***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 “*Tax Levy Limitation Law*,” below.)

### ***Tax Levy Limitation Law***

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the “Tax Levy Limit Law” or “Law”) was signed by the Governor. The Tax Levy Limit Law modified previous law by imposing a limit on the amount of real property taxes that a school district may levy. The Law is effective for the District’s 2012-2013 fiscal year, commencing July 1, 2012 and thereafter.

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, such as the Bonds, and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes



to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

***Tax Collection Procedure***

Taxes are due and payable without penalty during the month of September. Taxes paid during the month of October are subject to a 1% penalty and an additional one-half of one percent each month thereafter. A certified list of unpaid taxes compiled on or about November 1, is returned to the City Treasurer who is responsible for the enforcement of unpaid school taxes. The City is required to remit moneys received from the collection of unpaid school taxes at least once each month.

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

***STAR - School Tax Exemption***

The Basic and Enhanced STAR (School Tax Relief) Property Tax Exemptions are homestead exemptions. Basic STAR is available to anyone who owns and lives in his or her own home. Enhanced STAR is available to senior homeowners whose incomes do not exceed the statewide standard. For the 2017-18 school year, home owners, subject to certain household income limitations, are eligible for an enhanced exemption and basic exemption as follows:

<u>Municipality:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
City of North Tonawanda	\$56,990	\$26,110
<i>Date Certified: 04/07/2017</i>		

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 within the District for the 2017-18 are as follows:

<u>Municipality</u>	<u>Enhanced Maximum Savings</u>	<u>Basic Maximum Savings</u>
City of North Tonawanda	\$1,347	\$619
<i>Updated: 04/06/2017</i>		

The District expects to receive full reimbursement of such exempt taxes from the State during the 2016-17 fiscal year.

***Real Property Tax Rebate***

Chapter 59 of the Laws of 2014 (“Chapter 59”), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and

certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limit Law. School districts budgets must comply in their 2014-15 and 2015-16 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years.

Such budgets must be within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Eligible homeowners do not need to do anything to receive the credit. The State tax department will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. In the Fall of each of the program's three years (2014, 2015, 2016), the department will mail eligible taxpayers a single check that will be the total of the credits for each jurisdiction that is in compliance.

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

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

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

While the provisions of Chapter 59 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 Limit Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. While it is understood that the program applies in the years 2016 through 2019 and includes continued tax cap compliance, further details and implications are not available at this time.

## *Ten of the Largest Taxpayers*

The following table presents the taxable assessments of the District's ten largest taxpayers for the 2016 Assessment Roll.

**Table 7**  
**Taxable Assessments**

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u> <sup>(1)</sup>
National Grid	Utility	\$21,432,979	1.71%
National Fuel Gas	Utility	13,571,410	1.08%
IT Mid City Plaza LLC	Plaza	11,252,600	0.90%
Walmart	Retail	10,371,848	0.83%
Smith Boys	Marina	3,900,500	0.31%
Bishop Gibbons Assoc.	Apartments	3,313,000	0.26%
Budwey	Retail	3,073,090	0.24%
MCW Construction	Construction	2,938,600	0.23%
CSX	Railroad	2,864,550	0.23%
RJ & WM Young	Apartments	<u>2,848,500</u>	<u>0.23%</u>
Total:		<u>\$75,567,077</u>	<u>6.02%</u>

(1) The District's total estimated assessed value for the 2017-18 fiscal year is \$1,254,688,732.

## **DISTRICT INDEBTEDNESS**

### *Constitutional and Statutory Requirements*

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

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

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

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

**General.** The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory

limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. (See “*Tax Levy Limitation Law*” herein).

***Statutory Procedure***

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

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

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, estops 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 Bonds.

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. However, such finance board may delegate the power to sell the bonds or notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

***Debt Limit***

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

**Table 8**  
**Computation of Debt Limit**

<b><u>Fiscal Year:</u></b>	<b><u>Full Valuation</u></b> <sup>(1)</sup>
2013-14	\$1,360,753,371
2014-15	1,385,696,260
2015-16	1,459,782,907
2016-17	1,482,660,093
2017-18	<u>1,494,294,855</u>
Total Five Year Valuation	<u>\$7,183,187,486</u>
Average Five Year Full Valuation	<u>\$1,436,637,497</u>
Debt Limit - 5% of Average Full Valuation	<u>\$ 71,813,874</u>

<sup>(1)</sup> The amounts shown as full valuation have been computed with the use of Special Equalization Ratios (See Table 6). Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts, which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes.

**Statutory Debt Limit and Net Indebtedness**

**Table 9**  
**Statutory Debt Limit and Net Indebtedness**  
(As of August 2, 2017)

Average Full Valuation of Taxable Real Property	\$1,436,637,497
Debt Limit (5% of Average Full Valuation)	71,813,874
Inclusions:	
Outstanding Indebtedness (Principal Only):	
Serial Bonds	<u>43,018,626</u>
Exclusions:	
Appropriations:	0
Less: Exclusions for estimated building aid <sup>(1)</sup>	<u>0</u>
Total Net Indebtedness	<u>43,018,626</u>
Net Debt-Contracting Margin	<u>\$28,795,248</u>
Percentage of Debt-Contracting Margin Exhausted	59.90%

(1) The District has received and expects to continue to receive State Aid on a portion of existing indebtedness contracted for school building purposes pursuant to Section 121.20 of the Local Finance Law, but, under the Local Finance Law, as a small city school district, it is not permitted to deduct such anticipated State building aid from its outstanding indebtedness. However, as a matter of information, State aid for building purposes is currently estimated by District officials at 85.2%.

Source: District Officials.

**Tax Anticipation Notes (“TANs”) and Revenue Anticipation Notes (“RANs”)**

The District has not issued TANs or RANs in recent years, and doesn’t anticipate the need to issue in the near future.

**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. Table 10 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**

<b>Issuer</b>	<b>Net Debt Outstanding</b>	<b>As of:</b>	<b>District Share</b>	<b>Amount Applicable To District</b>
Niagara County	\$67,401,157	03/31/17	14.15%	\$ 9,542,261
City of North Tonawanda	17,215,941	03/31/17	100.00%	<u>17,215,941</u>
Total Net Overlapping Debt				26,758,202
Total Net Direct Debt				<u>43,018,626</u>
Net Direct and Overlapping Debt				<u>\$69,776,828</u>

Source: Official Statements of City and County

***Debt Ratios***

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

**Table 11**  
**Debt Ratios**

	<b><u>Debt Per Amount</u></b>	<b><u>Debt Per Capita</u></b> <sup>(1)</sup>	<b><u>Debt to Full Value</u></b> <sup>(2)</sup>
Net Direct Debt	\$43,018,626	\$1,382	2.89%
Net Direct and Overlapping Debt	\$69,776,828	\$2,242	4.66%

(1) The population of the District is estimated by District officials to be approximately 31,110.

(2) The District's estimated full value based on Regular Equalization Rates of taxable real property for fiscal year ending June 30, 2017 is \$1,494,294,855.

***Other Long-Term Obligations***

In June 1996 and December 2003, the District entered into leases under performance contracts for energy savings programs. In July 2002, the District refinanced the 1996 energy performance contract. The leased property represents primarily energy savings improvements to District owned properties. Pursuant to Section 9-103 of the Energy Law, these contracts do not create any legal or moral obligation to request, appropriate or make available monies for the purpose of the contracts. Quarterly payments of \$105,698 and \$56,197 continue through May 1, 2011 and November 21, 2019, respectively. As of June 30, 2016, the principal of the outstanding lease was \$726,862.

***Authorized but Unissued Indebtedness***

The District has no authorized but unissued indebtedness following the issuance of the notes.

***Debt Service Schedule***

Table 12 shows the debt service requirements to maturity on the District's outstanding bonded indebtedness (as of August 2, 2017).

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

<b><u>Fiscal Year Ending 6/30:</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Debt Service</u></b>
2018	\$2,585,000	\$1,087,775	\$3,107,300
2019	3,878,626	990,700	4,347,026
2020	3,980,000	876,225	4,387,825
2021	4,135,000	751,600	4,478,775
2022	4,275,000	615,875	4,547,100
2023	4,415,000	469,400	4,612,300
2024	4,555,000	311,850	4,669,550
2025	4,720,000	147,550	4,753,000
2026	2,590,000	33,000	2,590,000
2027	1,280,000	0	1,280,000
2028	1,295,000	0	1,295,000
2029	1,310,000	0	1,310,000
2030	1,320,000	0	1,320,000
2031	1,335,000	0	1,335,000
2032	<u>1,345,000</u>	<u>0</u>	<u>1,345,000</u>
	<u>\$43,018,626</u>	<u>\$5,283,975</u>	<u>\$48,302,601</u>

## ECONOMIC AND DEMOGRAPHIC DATA

### *School Enrollment Trends*

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

**TABLE 13**  
**School Enrollment Trends**

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2014-15	3,703	2017-18	3,685
2015-16	3,695	2018-19	3,573
2016-17	3,685	2019-20	3,568

*Source: District Officials.*

### *Population*

The estimated population of the District is 31,110 according to District officials. The following table presents population trends for the City, which is contiguous with the District, the County and the State, based upon recent census data.

**TABLE 14**  
**Population Trend**

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
City	33,262	31,568	(5.0)%
County	219,846	216,469	(1.5)%
State	18,976,457	19,378,102	2.1 %

*Source: U.S. Census Bureau*

### *Income*

The following table presents per capita money income for the City which is contiguous with the District, the County and the State.

**TABLE 15**  
**Per Capita Money Income**

	<u>2000</u>	<u>2010</u>	<u>00/10</u>
City	\$19,264	\$24,957	29.5%
County	19,219	24,224	26.0%
State	23,389	30,948	32.3%

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

### *Employment and Unemployment*

The following tables provide information concerning employment and unemployment in the County and the State and are not necessarily representative of the District.

**TABLE 16**  
**Civilian Labor Force**  
(Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City	16.5	16.3	15.9	15.8	15.7
County	105.8	104.7	102.0	101.4	100.8
State	9,612.0	9,626.1	9,570.7	9,591.2	9,584.5

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

**TABLE 17**  
**Yearly Average Unemployment Rates**

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2012	8.2%	9.3%	8.5%
2013	7.5%	8.4%	7.7%
2014	6.2%	7.0%	6.3%
2015	5.3%	6.2%	5.3%
2016	5.0%	5.8%	4.8%

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

**TABLE 18**  
**Monthly Unemployment Rates**

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>
May 2016	4.3%	5.0%	4.3%
June	4.7%	5.1%	4.7%
July	5.2%	5.5%	5.0%
August	5.1%	5.4%	4.9%
September	5.1%	5.5%	4.9%
October	5.1%	5.4%	4.8%
November	4.8%	5.5%	4.5%
December	5.0%	6.2%	4.5%
January 2017	5.7%	7.1%	4.9%
February	6.0%	7.2%	5.0%
March	5.3%	6.4%	4.4%
April	5.1%	5.9%	4.2%

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

**TABLE 19**  
**Major Employers in the District**

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approx. Number of Employees</u>
North Tonawanda City Schools	Education	663
DeGraff Memorial Hospital	Health Care	500
City of North Tonawanda	Government	257
Tops Supermarkets	Retail	230
Smurfit – Stone	Manufacturing	152
Buffalo Pumps	Manufacturing	120
Swaglock	Manufacturing	100
Niagara Cutter, Inc.	Manufacturing	100
Confer Plastics	Manufacturing	100
Walmart	Retail	100

Source: The District and North Tonawanda Chamber of Commerce



## **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 or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the District.

*End of Appendix A*

**APPENDIX B**

**FINANCIALS**

**CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA, NY**  
**Statement of Budgeted Appropriations, Estimated Revenues and**  
**Appropriated Fund Balance**  
**General Fund**  
**Fiscal Year Ending June 30**

	Adopted Budget <u>2016-17</u>	Adopted Budget <u>2017-18</u>
Estimated Revenues:		
Real Property Tax	\$27,680,053	\$28,046,677
Real Property Tax Items	270,000	270,000
Charges for Services	162,420	162,420
Use of Money & Property	510,975	510,975
Sale of Property and Compensation for Loss	2,636	2,636
Miscellaneous	516,411	516,411
State Aid	37,768,770	38,253,948
Interfund Transfers	316,400	316,400
Federal Aid	330,000	304,761
Proceeds of Long-Term Debt	0	0
Total Estimated Revenues	<u>67,557,665</u>	<u>68,384,228</u>
Appropriated Fund Balance	<u>4,757,385</u>	<u>5,107,385</u>
Total Estimated Revenues and Fund Balance	<u><u>\$72,315,050</u></u>	<u><u>\$73,491,613</u></u>
Appropriations:		
General Support	\$2,869,454	\$2,826,950
Operations and Maintenance	\$5,466,511	\$5,509,141
Instruction	38,544,545	40,083,679
Pupil Transportation	2,455,707	2,594,560
Employee Benefits	18,033,824	18,454,722
Debt Service	4,770,009	3,897,561
Interfund Transfers	175,000	125,000
Total Appropriations	<u><u>\$72,315,050</u></u>	<u><u>\$73,491,613</u></u>

Source: Adopted Budgets

**CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA, NY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Fiscal Year Ending June 30**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Revenues:</u>					
Real Property Taxes	\$25,915,542	\$26,423,218	\$27,124,636	\$27,640,597	\$27,629,356
Charges for Services	106,558	154,883	89,675	188,978	195,729
Use of Money & Property	432,100	432,721	492,136	545,888	516,917
Sale of Prop & Comp for Loss	14,700	3,083	34,709	416,156	5,225
Miscellaneous	843,888	412,589	496,935	471,046	1,500,134
State Aid	32,685,629	32,148,828	32,326,761	33,833,759	35,939,684
Federal Sources	27,592	305,780	205,381	184,503	208,852
Total Revenues	<u>\$60,026,009</u>	<u>\$59,881,102</u>	<u>\$60,770,233</u>	<u>\$63,280,927</u>	<u>\$65,995,897</u>
<u>Expenditures:</u>					
General Support	\$6,505,427	\$5,970,270	\$6,254,894	\$6,248,750	\$6,204,065
Instruction	34,501,318	35,474,330	36,096,344	36,719,362	38,878,718
Pupil Transportation	2,384,402	2,415,429	2,366,731	2,083,148	2,112,138
Employee Benefits	11,866,978	11,905,229	13,374,383	15,000,315	15,020,949
Debt Service	2,259,116	2,113,900	2,019,449	1,764,986	2,572,897
Total Expenditures	<u>\$57,517,241</u>	<u>\$57,879,158</u>	<u>\$60,111,801</u>	<u>\$61,816,561</u>	<u>\$64,788,767</u>
Excess (deficiency) of Revenues Over Expenditures and Other Uses	2,508,768	2,001,944	658,432	1,464,366	1,207,130
<u>Other Sources and Uses:</u>					
Interfund Transfers	566,212	321,038	356,356	1,506,565	3,261,594
Operating Transfers Out	(2,224,059)	(2,271,684)	(2,396,155)	(2,527,655)	(8,196,842)
Total Other Sources and Uses	<u>(1,657,847)</u>	<u>(1,950,646)</u>	<u>(2,039,799)</u>	<u>(1,021,090)</u>	<u>(4,935,248)</u>
Excess (deficiency) of Revenues Over Expenditures and Other Uses	850,921	51,298	(1,381,367)	443,276	(3,728,118)
Fund Balance - Beg. Of Year	<u>16,546,290</u>	<u>17,397,211</u>	<u>17,448,509</u>	<u>16,067,142</u>	<u>16,510,418</u>
Fund Balance - End of Year	<u><u>\$17,397,211</u></u>	<u><u>\$17,448,509</u></u>	<u><u>\$16,067,142</u></u>	<u><u>\$16,510,418</u></u>	<u><u>\$12,782,300</u></u>

Source: Audited Financial Statements  
Summary not audited

**CITY SCHOOL DISTRICT OF THE CITY OF NORTH TONAWANDA, NY**  
**Balance Sheet**  
**General Fund**  
**Fiscal Year Ending June 30**

	<u>2015</u>	<u>2016</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$5,903,009	\$8,157,921
Restricted Cash and Cash Equivalents	10,465,842	5,263,574
Receivables	844,501	997,865
Due From Other Funds	4,343,301	3,327,862
Intergovernmental Receivables	2,535,443	2,029,331
Prepaid Items	620	1,731
Cash value of Life Insurance	105,647	99,012
<b>Total Assets</b>	<b><u>\$24,198,363</u></b>	<b><u>\$19,877,296</u></b>
 <b>Liabilities and Fund Balance:</b>		
Accounts Payable	\$623,843	\$1,143,885
Accrued Liabilities	1,803,201	1,471,888
Due to Other Funds	4,314	4,320
Due to Retirement System	4,741,620	3,854,182
Unearned Revenue	36,717	101,512
<b>Total Liabilities</b>	<b><u>7,209,695</u></b>	<b><u>6,575,787</u></b>
 <b>Deferred Inflows of Resources:</b>		
Unavailable revenues - taxes	478,250	519,209
<b>Total deferred inflows of resources</b>	<b><u>478,250</u></b>	<b><u>519,209</u></b>
 <b>Fund Balance - (deficit):</b>		
Nonspendable	106,267	100,743
Restricted	10,465,842	5,162,062
Assigned	4,792,550	4,892,037
Unassigned	1,145,759	2,627,458
<b>Total Fund Balance</b>	<b><u>16,510,418</u></b>	<b><u>12,782,300</u></b>
 <b>Total Liabilities and Fund Balance</b>	 <b><u>\$24,198,363</u></b>	 <b><u>\$19,877,296</u></b>

Source: Audited Financial Statements  
Summary not audited

**APPENDIX C**

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

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

**<https://emma.msrb.org/ES994646-ES778808-ES1180119.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.**

## APPENDIX D

Hawkins Delafield & Wood LLP  
7 World Trade Center  
New York, New York 10007

The Board of Education of  
City School District of the City of North Tonawanda,  
in the County of Niagara, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to City School District of the City of North Tonawanda, in the County of Niagara (the "School District"), a School district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$18,787,374 Bond Anticipation Notes-2017 (the "Bonds"), dated and delivered the date hereof.

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

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

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

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

of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

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

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

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

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

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

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or



circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement or Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

## APPENDIX E

### UNDERTAKING TO PROVIDE NOTICES OF EVENTS

#### Section 1. Definitions

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

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

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

“Issuer” shall mean **City School District of the City of North Tonawanda**, in the County of Saratoga, a School District of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of August 24, 2017.

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

“Securities” shall mean the Issuer’s \$18,787,374 Bond Anticipation Note-2017, dated August 24, 2017, maturing on August 24, 2018, and delivered on the date hereof.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

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

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

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

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

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such

other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall

have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **August 24, 2017**.

**CITY SCHOOL DISTRICT OF THE CITY OF NORTH  
TONAWANDA**

By \_\_\_\_\_  
President of the Board of Education