

REFUNDING BONDS

Rating: See "Rating" herein

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

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

CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK
(the "District")

\$2,330,000*
SCHOOL DISTRICT REFUNDING SERIAL BONDS, 2021
(the "Bonds")
(Designated/Bank Qualified)

Date of Issue: March 16, 2021

Date of Maturity: March 1, 2022-2025

The Bonds will be general obligations of the District, and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Bonds and, unless paid from other sources, the Bonds are payable from *ad valorem* taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limitation Law"]; see "TAX INFORMATION-Tax Levy Limitation Law," herein).

The Bonds will be issued as registered bonds registered to The Depository Trust Company ("DTC" or the "Securities Depository").

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

The Bonds are dated their date of delivery and will bear interest from that date at the annual rate or rates as specified by the purchaser of the Bonds, on September 1, 2021 and semiannually thereafter on each March 1 and September 1 until maturity. The Bonds will mature on March 1, 2022 and on March 1 in each year thereafter, as shown on the inside cover page hereof. The Bonds are not subject to optional redemption (See "THE BONDS – No Optional Redemption") herein.

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

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the final approving opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. It is anticipated that the Bonds will be available for delivery on or about March 16, 2021.

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

Dated: February 23, 2021

*Preliminary; subject to change

The Bonds will mature on March 1, 2022, and on March 1 in each year thereafter in the principal amounts below:

<u>Year</u>	<u>Amount**</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2022	\$660,000			
2023	660,000			
2024	665,000			
2025	345,000			

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

** The aggregate principal amount of the Bonds and the principal maturities thereof are subject to adjustment, following their sale, pursuant to the terms of the accompanying Notice of Bond Sale, to permit the District to remain within its statutory debt limit, to achieve substantially level or declining annual debt service, and to permit the District to comply with applicable provisions of the Code.

The District, after approval of Bond Counsel, will use a portion of the premium received to decrease the par amount of the Bonds to the extent necessary to allow the District to remain within its statutory debt limit. Because the final par amount of the Bonds may not exceed \$2,280,000 bids must have a minimum premium of \$50,000. **Any bid with a premium amount less than \$50,000 will be rejected.** See the Notice of Bond Sale that accompanies this Official Statement for further details.

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

Board of Education

Leonard F. Kowalski
PRESIDENT

Nicholas M. Sobaszek Vice President
Mona Abdulla..... Board Member
Anthony R. Catuzza Board Member
Mark E. Kowalski..... Board Member
Mohamed Munassar Board Member
Nicholas Trifilo Board Member

Keith E. LewisSuperintendent of Schools
Daniel GrantAssistant Superintendent for Administrative Services
Amber Illg & Kathleen McHugh..... Board Clerk

BOND COUNSEL

HODGSON RUSS LLP
Buffalo, New York

MUNICIPAL ADVISOR



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

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

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APPENDIX D – FORM OF DISCLOSURE UNDERTAKING

**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF
CITY SCHOOL DISTRICT OF THE CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK**

**\$2,330,000*
SCHOOL DISTRICT REFUNDING SERIAL BONDS, 2021
(the "Bonds")**

This Official Statement (the "Official Statement"), which includes the cover page and appendices hereto, presents certain information relating to the City School District of the City of Lackawanna, Erie County, State of New York (the "District," "County" and "State" respectively), in connection with the sale of the District's \$2,330,000* School District Refunding Serial Bonds, 2021 (the "Bonds").

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

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. **This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "COVID-19," herein.**

THE BONDS

Description of the Bonds

The Bonds will be issued as registered bonds registered to the Depository Trust Company ("DTC" or the "Securities Depository").

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

The Bonds are dated their date of delivery and will bear interest from that date at the annual rate or rates as specified by the purchaser of the Bonds, on September 1, 2021 and semiannually thereafter on each March 1 and September 1 until maturity. The Bonds will mature on March 1, 2022 and on March 1 in each year thereafter, as shown on the inside cover page hereof. The Bonds are not subject to optional redemption as described herein (See "THE BONDS – Optional Redemption" herein).

*Preliminary; subject to change

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

Authority for and the Refunding Plan

The Bonds are issued pursuant to the Constitution and laws of the State, including the Education Law and the Local Finance Law, and pursuant to a refunding bond resolution that was duly adopted by the Board of Education of the District (the “Board”) on January 14, 2021. A refunding financial plan has been prepared and is described below (the “Refunding Plan”).

The amount of the Refunded Bonds, set forth below (the “Refunded Bonds”), may be changed by the District in its sole discretion due to market or other factors considered relevant by the District at the time of pricing of the Bonds, and no assurance can be given that any particular maturity thereof will be refunded.

All proceeds of the Refunded Bonds have been previously expended.

The Bonds are being issued to refund \$2,260,000 of the outstanding callable principal of the District’s \$7,295,000 School District Serial Bonds, 2012 as listed below:

Maturity	Coupon	Maturity Value	Call Date	Call Price	CUSIP
03/01/2022	3.000%	\$ 620,000	04/15/2021	100.00%	505534DS3
03/01/2023	3.000%	635,000	04/15/2021	100.00%	505534DT1
03/01/2024	3.000%	655,000	04/15/2021	100.00%	505534DU8
03/01/2025	3.000%	<u>350,000</u>	04/15/2021	100.00%	505534DV6
		\$ 2,260,000			

Under current market conditions, the District expects to refund all of the Refunded Bonds as shown above. The net proceeds of the Bonds (after payment of costs of issuance relating to the Bonds) will be used to purchase non-callable, direct obligations of, or obligations guaranteed by, the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by Manufacturers and Traders Trust Company (the “Escrow Holder”), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, and interest on the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the refunding bond resolution of the District and the Escrow Contract, to pay the Refunded Bonds on the Call Date listed in the table above.

The holders of the Refunded Bonds will have a first lien on all investment income from, and maturing principal of, the Government Obligations, along with other available monies held in the Escrow Fund. The Escrow Contract shall terminate upon final payment by the Escrow Holder to the paying agents/fiscal agent for the Refunded Bonds amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest payable with respect thereto.

The Refunding Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present value debt service savings.

Under the Refunding Plan, the Refunded Bonds will continue to be general obligations of the District. However, inasmuch as the Government Obligations held in the Escrow Fund will be sufficient to meet all required payments of principal and interest when required in accordance with the Refunding Plan, it is not anticipated that any other source of payment will be required.

Sources and Uses of Proceeds of the Bonds

Sources:

Par Amount of the Bonds
Reoffering Premium

Application:

Deposit to Escrow Deposit Fund
Underwriter's Discount
Cost of Issuance and Contingency

Total

Verification of Mathematical Computations

Causey Demgen & Moore P.C. ("Causey") will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of: the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal of, and interest on the Refunded Bonds. Causey will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

No Optional Redemption

The Bonds will NOT be subject to optional redemption, in whole or in part, prior to maturity.

Nature of Obligation

The Bonds, when duly issued and paid for, will constitute a contract between the District and the holder(s) thereof.

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the District has the power and statutory authorization to levy *ad valorem* taxes on all taxable real property in the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law); see "TAX INFORMATION-Tax Levy Limitation Law," herein.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. On June 24, 2011, the Tax Levy Limitation Law was adopted in the State. The Tax Levy Limitation Law established certain limitations on the power of local governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). The Tax Levy Limitation Law had its first application with respect to the District's budget for fiscal year 2012-13. The Tax Levy Limitation Law does make certain allowances for the exclusion of tax levy increases associated with capital expenses by school districts. See "TAX INFORMATION-Tax Levy Limitation Law," herein. Also, certain special protective procedures and remedies available to holders of school district debt remain in place and are not affected by the Tax Levy Limitation Law. See "DISTRICT INDEBTEDNESS—Remedies Upon Default," herein.

Book-Entry-Only System

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

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

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

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

Source: The Depository Trust Company.

COVID-19

The outbreak of COVID-19, a serious respiratory disease caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020.

Economic Impacts

The outbreak of COVID-19 has drastically affected travel, commerce and financial markets globally. As almost all nations have experienced a rise in infections and implemented containment measures that in the case of some nations (including the United States) have been drastic, economies have suffered in the extreme. The full impact is difficult to predict due to uncertainties regarding the duration and severity of the COVID-19 pandemic.

While initially the hospitality and tourism industries were hardest hit, within a short period of time there was widespread unemployment across all economic sectors in the United States.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic initially caused extreme volatility across all financial markets, including the primary and secondary markets for municipal bonds. In the United States, Congress and the Federal Reserve have taken significant steps to backstop those markets and to provide much-needed liquidity, and markets have since generally stabilized. Still, given these conditions, it is possible that the process of trading the Bonds in the secondary market could be affected in ways that are difficult to predict.

Federal Response

The federal government has passed several pieces of legislation in response to the COVID-19 pandemic including the \$2.3 trillion Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which attempt to address financial stability and liquidity issues through a variety of stimulus measures.

Stimulus Efforts for State and Local Governments: The CARES Act included a \$150 billion Coronavirus Relief Fund, which provided funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller populations can receive monies from the amount allocated to their state). This money is intended for programs that are necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was intended for programs that are necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it could indirectly assist with revenue shortfalls in cases where the expenses that were covered by this fund would otherwise create a further budget shortfall.

The CARES Act also included an Education Stabilization Fund, which provided \$30.75 billion for K-12 and higher education systems. There were three main forms of relief: \$13.2 billion for K-12 schools that was be administered on a state-by-state basis, \$14 billion for public and private colleges and universities, and \$3 billion in emergency relief that governors could distribute to schools, colleges and universities that were particularly affected by COVID-19 and the ensuing crisis.

Municipal Liquidity Facility: The Federal Reserve established a new “Municipal Liquidity Facility” (“MLF”) that offered up to \$500 billion in direct federal lending to certain larger issuers, which were able to use their own loan proceeds to make loans to smaller governmental units that would not otherwise qualify for this program. The MLF expired on December 31, 2020. Most municipal issuers did not have to resort to the MLF because rates have been conducive to issuing debt through the conventional municipal bond market; however, it is notable that the MLF existed as a market backstop if needed.

State Response

Executive orders: Governor Cuomo has released a number of executive orders in response to the COVID-19 pandemic, including various mandates requiring “non-essential” employees to work from home.

Pursuant to State Executive Order 202.4, every school in the State was directed to close no later than March 18, 2020. While schools were originally ordered closed until April 1, the time period was later extended to

May 15, and then through the end of the school year. School districts must normally maintain 180-day in-class attendance for State aid; however, this requirement has been waived to the extent attributable to COVID-19 related closures during the 2019-20 school year. Additionally, pursuant to State Executive Orders Nos. 202.13 and 202.26, the school district elections and budget votes that normally would have been held on May 19, 2020 were postponed until June 9, with an additional extension for ballots received through mail until June 16.

Starting on May 15, 2020, regions of the State that met certain criteria were allowed to begin reopening. Reopening occurred in phases, with different industries allowed to open in each phase.

As COVID-19 cases began to rise again in the fall of 2020, the State shifted to a strategy based on identifying areas with higher positivity rates and implementing successively higher restrictions in such areas. Such areas are labeled “yellow”, “orange” or “red.” Initially, schools in orange and red zones were required to close to in-person instruction; however, this requirement has been modified to allow such schools to remain open so long as they follow certain testing and reporting requirements.

See <https://forward.ny.gov/cluster-action-initiative> for more details on the different clusters, including which areas of the State are in which phase. Reference to website implies no warranty of accuracy of information therein.

State Budget: The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State has suffered (and expects to continue to suffer) significant revenue shortfalls and unanticipated expenses.

To mitigate a potential budget gap, the State’s adopted budget for the fiscal year ending March 31, 2021 allows the State to reduce expenditures (including aid to local school districts and municipalities) if, during certain defined periods in 2020 (i.e., April 1 - April 30, May 1- June 30, and July 1 - December 31), tax receipts are lower than anticipated or disbursements from the State’s general fund are higher than anticipated. In such a scenario, the State Budget Director will develop a plan to make spending reductions. The State Budget Director’s plan would take effect automatically unless the Legislature passes its own plan within ten days. It is theoretically possible for such reductions to later be restored under certain circumstances.

On April 25, 2020, the State Division of the Budget (the “DOB”) announced the release of the State’s Fiscal Year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), which projected a \$13.3 billion (14%) shortfall in State revenues from the Executive Budget Forecast that was released in January and estimated a \$61 billion decline through Fiscal Year 2024 as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions outlined in the Financial Plan will reduce spending by \$10.1 billion from the Executive Budget. This represents a \$7.3 billion reduction in State spending from FY 2020 levels.

On August 13, 2020, the DOB released a first quarter update to the Financial Plan, with a revised projection of a \$14.5 billion shortfall, over \$1 billion more than was projected in April. The updated Financial Plan also noted that, in the absence of additional federal aid, the DOB began withholding 20 percent of most local aid payments in June, pursuant to the withholding authority granted in the fiscal year 2021 enacted budget. As of the date of this Official Statement, the DOB has not converted such withholds to permanent reductions, but the DOB has stated that such a conversion may be made depending on the size and timing of new federal aid, if any.

On October 30, 2020, the DOB released a mid-year update, with a revised projection of a \$14.9 billion shortfall. This update noted that the State had reduced spending through September by \$4.3 billion compared to fiscal year 2020 spending over the same period through freezing hiring, new contracts and pay raises, and through the 20% withholding of payments that began in June.

As of February 1, 2021, the State Education Department (“SED”) has advised school districts that DOB will, at some point, be providing approval for SED to make the payments for State aid and other pre-K - 12

grant programs that had been subject to the above-referenced 20% withholding. While such approval is expected prior to the end of the 2020-21 State fiscal year, the date on which such funds will be released is unknown as of the date of this Official Statement.

While President Biden has backed a \$1.9 trillion stimulus package, it lacks bipartisan support; therefore, the extent of future COVID-19-related direct federal financial relief, if any, to states, localities and school districts cannot be predicted. Reductions in the payment of State aid could adversely affect the financial condition school districts in the State, including the District. See “COVID-19,” herein, for further details on the COVID-19 pandemic and its effects on the State.

Legislation Allowing Financial Flexibility for Municipalities and School Districts

On August 24, 2020, Governor Cuomo signed legislation allowing municipalities and school districts additional financial flexibility in response to the COVID-19 pandemic. Whereas municipalities and school districts in the State typically may only pursue short-term financing for five years, under certain circumstances the new legislation allows an additional two years prior to converting to long-term bonds.

The new legislation also allows municipalities and school districts additional flexibility related to the use of reserve funds or inter-fund transfers for costs associated with COVID-19. The typical mandatory or permissive referendum requirements for the expenditure of funds from a capital reserve fund have been waived for capital costs attributable to the COVID-19 pandemic. Moneys from a capital reserve fund can also be temporarily advanced for operating costs or other costs attributable to the COVID-19 pandemic, so long as such moneys are repaid within five fiscal years, with interest. Additionally, while inter-fund transfers must typically be repaid by the end of the fiscal year in which the transfer is made, inter-fund advances for costs attributable to the COVID-19 pandemic do not need to be repaid until the close of the following fiscal year.

Local Response

The State Executive Law Section 24 contains procedures for local governments to declare local states of emergency and issue orders to implement the same. Specifically, in the event of a qualifying disaster or reasonable apprehension of immediate danger to the public safety, the municipal chief executive has the authority to declare a local state of emergency for a period of up to 30 days and issue orders to protect life and property or to bring the emergency situation under control.

While the District itself is not able to declare a local state of emergency, the County has done so. The District closed in mid-March 2020 and did not resume session for the rest of the 2019-20 school year. During the timeframe of the closure the District provided education to students remotely and was responsible for providing meal deliveries to students.

The District began the 2020-21 school year using a hybrid in-person/distance learning model with enhanced health and safety protocols. At times various schools in the District have had to close due to positive COVID-19 cases and/or State micro-cluster action initiative restrictions; however, the District has been able to provide education remotely during such closures.

While the impacts of COVID-19 on the global, federal, State and local economy cannot be predicted with any certainty, the pandemic could have a significant adverse effect on the District’s finances. The District is continuing to monitor this situation and will attempt to mitigate any such adverse effects through program cuts or staffing reductions, as needed.

MARKET FACTORS

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

borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

Disease outbreaks or similar public health threats could have an adverse impact on the District's financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization on March 11, 2020. See "COVID-19" herein for a further discussion of the impacts of the COVID-19 pandemic, which is expected to have a significant adverse effect on the District's finances.

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

The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State has suffered (and expects to continue to suffer) significant revenue shortfalls and unanticipated expenses.

To mitigate a potential budget gap, the State's adopted budget for the fiscal year ending March 31, 2021 allows the State to reduce expenditures (including aid to local school districts and municipalities) if, during certain defined periods in 2020 (i.e., April 1 - April 30, May 1- June 30, and July 1 - December 31), tax receipts are lower than anticipated or disbursements from the State's general fund are higher than anticipated. In such a scenario, the State Budget Director will develop a plan to make spending reductions. The State Budget Director's plan would take effect automatically unless the Legislature passes its own plan within ten days. It is theoretically possible for such reductions to later be restored under certain circumstances.

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

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

TAX EXEMPTION

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

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

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

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

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

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

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

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the District will furnish certificates, dated the date of delivery of the Bonds, 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 Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds, and 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, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Bond Counsel. Such opinion will be available at the time of delivery of the Bonds and will be to the effect that the Bonds are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit, and all the real property within the District is subject to the levy of special *ad valorem* real property taxes to pay the Bonds and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of the State). Such opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or

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

Closing Certificates

Upon the delivery of the Bonds, the purchaser will be furnished with the following items: (i) a certificate of the President of the Board 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 Bonds, 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 Bonds, and having attached thereto a copy of this Official Statement; (ii) a certificate signed by an officer of the District evidencing payment for the Bonds; (iii) a closing certificate evidencing the due execution of the Bonds, 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 Bonds 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 Bonds were authorized or affecting the validity of the Bonds 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 Bonds have been repealed, revoked or rescinded; and (iv) a tax certificate executed by the President of the Board, as described under "TAX EXEMPTION" herein.

DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), unless the Bonds are purchased for the purchaser's own account, as principal for investment and not for resale, the District will enter into a Disclosure Undertaking at closing, the form of which is attached hereto as "APPENDIX D." A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Bonds as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

CONTINUING DISCLOSURE COMPLIANCE PROCEDURES

The District is establishing procedures designed to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through EMMA.

RATING

Moody's Investors Services, Inc. ("Moody's") has assigned the District an underlying uninsured rating of "A1". The District is awaiting a rating on the Bonds.

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

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

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

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

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

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

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

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from Mr. Daniel Grant, District Assistant Superintendent of Administrative Services and Paying Agent; Contact: Phone (716) 821-5610 ext. 7748 ; Email: dgrant@lackawannaschools.org ; Address: 245 South Shore Boulevard, Lackawanna, New York 14218 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 Bonds.

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

CITY SCHOOL DISTRICT OF THE CITY OF
LACKAWANNA, NEW YORK

By: /s/ Leonard F. Kowalski
Leonard F. Kowalski
President of the Board of Education

DATED: February 23, 2021

APPENDIX A

THE DISTRICT

General Information

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

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

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

District Organization

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

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

Financial Organization

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

District Facilities

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

TABLE 1
School Statistics

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

Source: District Officials.

Employees

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

TABLE 2
Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
177	New York United Teachers (Teachers)	06/30/2019*
12	AFL/CIO (Administrative Council)	06/30/2021
18	National Education Assoc. (Competitive Education Secretaries)	06/30/2023
67	AFL/CIO (CSEA)(41 full-time/41 part-time)	06/30/2019*
3	AFL/CIO (Nurses Association)	06/30/2012*
2	Superintendent	06/30/2023
1	Assistant Superintendent	06/30/2023
1	Board Clerk	06/30/2021
1	PT Auditor	06/30/2021

*Currently under negotiations.

Source: District Officials.

Employee Pension Benefits

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

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

Both the ERS and the TRS are non-contributing with respect to members hired prior to July 27, 1976. Other than members of Tier V and Tier VI (described below) the ERS and TRS are non-contributory with respect to members working ten or more years. All members working less than ten years must contribute 3% of gross annual salary toward the cost of retirement programs except for Tier VI members, whose contributions range from 3-6%.

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

<u>Fiscal Year End 6/30</u>	<u>ERS</u>
2021 (<i>Budgeted</i>)	\$507,668
2020	483,956
2019	478,182
2018	518,480

Source: Audited Financial Statements, 2021 adopted budget and Office of the State Comptroller

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

<u>Fiscal Year End 6/30</u>	<u>TRS</u>
2021 (<i>Budgeted</i>)	\$1,694,270
2020	1,477,523
2019	1,716,590
2018	1,524,473

Source: Audited Financial Statements and 2021 adopted budget

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

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

The New York State ERS rate for the 2019-20 fiscal year is 14.6%. The 2020-21 ERS rate is 14.6%. The 2019-20 TRS rate is 8.86%. The 2020-21 TRS rate is 9.53%.

Due to poor performance of the investment portfolio of the State Retirement System in the wake of the 2008-2009 financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially, although have stabilized and actually reduced in recent years. To help mitigate the impact of such increases, legislation was enacted that permitted a school district to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that chose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation, and expects to continue to pay all payments in full when due.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The plan, which was approved in Governor Cuomo’s 2014-15 budget would let districts contribute 14.13% of employee costs toward pensions.

The TRS SCO deferral plan is available to school districts for seven years after enactment. Under the TRS SCO plan, payment of the deferred amount would 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 District has not and does not plan to participate in the ERS or TRS SCO program.

Other Post-Employment Benefits

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

During the year end June 30, 2019, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement requires the District to recognize the total OPEB liability and related deferred outflows and deferred inflows of resources. The

cumulative effect of implementing this required change in accounting principle resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures and required supplementary information.

The District is in compliance with the requirements of GASB 75, and a summary of the actuarial valuation is included in the District's June 30, 2020 Financial Audit attached herein. The following table summarizes the District's annual OPEB statements for the year ended June 30, 2020:

Changes in the Total OPEB Liability	<u>2020</u>
Service cost	\$112,718
Interest	124,138
Changes in benefit terms	134,022
Differences between expected & actual experience	(243,239)
Changes in assumptions	334,686
Benefit payments	<u>(115,121)</u>
Net changes	347,204
Net OPEB Liability – beginning of year	3,611,052
Net OPEB liability – end of year	<u>\$3,958,256</u>

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

Investment Policy/Permitted Investments

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

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

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

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

FINANCIAL FACTORS

District finances are operated through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. The District derives the bulk of its

annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Property Tax Revenue

The District derives a significant portion of its revenues from a tax on real property. Real property taxes and tax items accounted for 17.0% of total general fund revenues for the fiscal year ended June 30, 2019, while State aid accounted for 74.6% of total general fund revenues and real property tax and tax item revenues collected during the last five audited fiscal years ended June 30th and budgeted for the current fiscal year.

Table 3
Property Taxes

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Real Property Taxes and Tax Items</u>	<u>Real Property Taxes and Tax Items to Revenues</u>
2016	\$44,052,540	\$9,127,139	20.7%
2017	46,290,390	9,259,087	20.0%
2018	49,587,241	9,529,046	19.2%
2019	52,840,536	9,489,109	18.0%
2020	56,459,486	9,604,040	17.0%
2021 <i>Budgeted</i>	55,220,437	9,748,197	17.7%

Source: Audited Financial Statements and 2021 Adopted Budget. Table itself is not audited.

State Aid

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

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

Table 4
State Aid

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2016	\$44,052,540	\$30,762,014	69.8%
2017	46,290,390	32,632,898	70.5%
2018	49,587,241	35,350,295	71.3%
2019	52,840,536	38,508,769	72.9%
2020	56,459,486	41,110,555	74.6%
2021 <i>Budgeted</i>	55,220,437	41,304,590	74.8%

Source: Audited Financial Statements and 2021 Adopted Budget. Table itself is not audited.

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

In addition to the amount of State Aid budgeted by the District in its 2020-21 fiscal year, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR (see “STAR-School Tax Exemption”) Program. The District expects to receive timely receipt of STAR aid for the remainder of the current fiscal year.

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

A case related to the *CFE* was heard on appeal on May 30, 2017 in *New Yorkers for Students’ Educational Rights (“NYSER”) v. State of New York*. The *NYSER* lawsuit asserted that the State failed to comply with the original decision in the Court of Appeals in the *CFE* case, and asked the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the “foundation aid” formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiff’s causes of action were properly dismissed except for two causes of action regarding accountability mechanisms and sufficient state funding for a “sound basic education” limited solely to the New York City and Syracuse school districts.

The Court emphasized its previous ruling in the *CFE* case that absent “gross educational inadequacies”, claims regarding State funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

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

The Gap Elimination Adjustment (GEA) law was first introduced for the 2010-11 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since the program began, the GEA and Deficit Reduction Assessment reduction in State aid for the District has amounted to \$592,540 annually. As a result, the District has been forced to reduce programs, services, and staff accordingly. Beginning in the 2014-15 fiscal year, the State made modest restorations to the GEA. In the 2014-15 fiscal year, the GEA was reduced by \$414,778, dropping the total GEA to \$177,762. In the 2015-16 fiscal year, it has been further reduced by \$169,421, yielding a remaining GEA of \$8,341. In the 2016-17 fiscal year, the GEA was eliminated.

The Smart Schools Bond Act was passed as part of the Enacted 2014-15 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District’s former allocation of funds is \$2,922,791. The Districts plan to issue \$935,094 for school connectivity and \$1,974,979 for High-Tech Security Features was approved.

On December 22, 2017, former President Trump signed into law the significant tax reform legislation that is generally referred to as the “Tax Cuts and Jobs Act of 2017” (the “TCJA”). The TCJA made significant

changes to the Code, most of which became effective for the 2018 tax year. The TCJA made extensive changes to the deductibility of various taxes, including placing a cap of \$10,000 on a taxpayer's deduction of state and local taxes (the "SALT Deduction Limitation"). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

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

School district fiscal year (2017-18): The State budget included an increase of \$1.1 billion in State Aid to school districts, including a \$700 million increase in Foundation Aid. The budget included School Aid spending of \$25.8 billion, an increase of 4.4% from the prior fiscal year.

School district fiscal year (2018-19): The budget increased Education Aid by \$1 billion, including a \$619 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$26.7 billion or an increase of 3.9 percent.

School district fiscal year (2019-20): The budget increased Education aid by more than \$1 billion which included a \$618 million dollar increase in Foundation Aid. The new Education Aid total was \$27.9 billion — an increase of 3.8%. The budget directed a majority of such additional funding (over 70%) to the State's more economically disadvantaged school districts.

School district fiscal year (2020-2021): Due to the below-described decrease in State revenues as a result of the COVID-19 pandemic, the State budget includes an increase of only \$95 million in State Aid (0.035% increase from the prior budget year), and Foundation Aid remains the same as the 2019-2020 fiscal year. While the budget actually includes a decrease in State aid (referred to as a "Pandemic Adjustment"), the decrease in State aid will be fully offset by the State's allocation of federal stimulus funds. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State aid from the 2019-2020 year.

It should be noted that the City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State has suffered (and expects to continue to suffer) significant revenue shortfalls and unanticipated expenses.

To mitigate a potential budget gap, the State's adopted budget for the fiscal year ending March 31, 2021 allows the State to reduce expenditures (including aid to local school districts and municipalities) if, during certain defined periods in 2020 (i.e., April 1 - April 30, May 1- June 30, and July 1 - December 31), tax receipts are lower than anticipated or disbursements from the State's general fund are higher than anticipated. In such a scenario, the State Budget Director will develop a plan to make spending reductions. The State Budget Director's plan would take effect automatically unless the Legislature passes its own plan

within ten days. It is theoretically possible for such reductions to later be restored under certain circumstances.

On April 25, 2020, the State Division of the Budget (the “DOB”) announced the release of the State's Fiscal Year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), which projected a \$13.3 billion (14%) shortfall in State revenues from the Executive Budget Forecast that was released in January and estimated a \$61 billion decline through Fiscal Year 2024 as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions outlined in the Financial Plan will reduce spending by \$10.1 billion from the Executive Budget. This represents a \$7.3 billion reduction in State spending from FY 2020 levels.

On August 13, 2020, the DOB released a first quarter update to the Financial Plan, with a revised projection of a \$14.5 billion shortfall, over \$1 billion more than was projected in April. The updated Financial Plan also noted that, in the absence of additional federal aid, the DOB began withholding 20 percent of most local aid payments in June, pursuant to the withholding authority granted in the fiscal year 2021 enacted budget. As of the date of this Official Statement, the DOB has not converted such withholds to permanent reductions, but the DOB has stated that such a conversion may be made depending on the size and timing of new federal aid, if any.

On October 30, 2020, the DOB released a mid-year update, with a revised projection of a \$14.9 billion shortfall. This update noted that the State had reduced spending through September by \$4.3 billion compared to fiscal year 2020 spending over the same period through freezing hiring, new contracts and pay raises, and through the 20% withholding of payments that began in June.

As of February 1, 2021, the State Education Department (“SED”) has advised school districts that DOB will, at some point, be providing approval for SED to make the payments for State aid and other pre-K - 12 grant programs that had been subject to the above-referenced 20% withholding. While such approval is expected prior to the end of the 2020-21 State fiscal year, the date on which such funds will be released is unknown as of the date of this Official Statement.

While President Biden has backed a \$1.9 trillion stimulus package, it lacks bipartisan support; therefore, the extent of future COVID-19-related direct federal financial relief, if any, to states, localities and school districts cannot be predicted. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District. See “COVID-19,” herein, for further details on the COVID-19 pandemic and its effects on the State.

See “COVID-19,” herein, for further details on such pandemic and its effects on the State.

The State budget for the 2020-21 fiscal year provides \$42.4 million of State Aid to the District, a 0.30% decrease from the District's 2019-20 fiscal year.

The District presently anticipates a decrease in its State Aid not related to building aid for its 2020-21 fiscal year in an amount of \$156,945.

It should also be noted that the School District receives federal aid for certain programs. In its last audited fiscal year, the School District received \$636,397 in such direct federal aid. It is not possible to predict whether such aid will continue in the future, or if continued, whether it will be funded at present levels.

The District cannot predict at this time whether there will be any reductions in and/or further delays in the receipt of State aid during the District's 2020-21 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal

Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

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

The most current applicable report of the State Comptroller designates the District as “Susceptible Fiscal Stress.”

(See <https://www.osc.state.ny.us/files/local-government/fiscal-monitoring/pdf/2020-school-summary-list.pdf>)

New York State Comptroller’s Audit

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

On June 7, 2019, OSC, Division of Local Government and School Accountability released two audits of the District to determine whether tuition payments were accurate and supported and to determine whether payments for contractual services were accurate and supported. The audit regarding Tuition found District officials did not review tuition charges for accuracy. As a result, the District was incorrectly billed for nine students and the District did not have adequate and up-to-date residency information to support tuition charges totaling \$2.5 million for 162 students attending charter schools. The OSC recommended the District review tuition invoices to ensure charges are calculated correctly and supported, and resolve identified billing errors, request updated proof of residency periodically to verify the District is properly billed. The audit regarding Contractual Services found Board-approved contracts or agreements were on file for service providers, but payments to two service providers totaling \$477,000 (10 percent) were not supported by sufficient documentation to ascertain that services were rendered in accordance with the written agreements. The OSC recommended the District ensure claims for payment from service providers are sufficiently itemized and properly supported, require service providers to submit appropriate documentation that includes the dates and services provided, and perform a deliberate and thorough review of invoices to ensure claims for payment are in accordance with written agreements. District officials agreed with OSC recommendations and indicated they planned to initiate corrective action for both audits.

The link to the most recent OSC reports are as follows:

<https://osc.state.ny.us/localgov/audits/schools/2019/lackawanna-23.pdf>

<https://osc.state.ny.us/localgov/audits/schools/2019/lackawanna-59.pdf>

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

Budgetary Procedure

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

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

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

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

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

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

The voters approved the District’s 2020-21 budget on June 16, 2020.

Independent Audit

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2020 and is included herein.

TAX INFORMATION

Real Property Tax Assessments and Rates

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Tax Levy	\$9,294,517	\$9,480,408	\$9,409,441	\$9,585,040	\$9,748,197
Tax Rate (Homestead) ⁽¹⁾	\$13.86	\$14.62	\$13.86	\$14.77	\$12.83
Tax Rate (Non-Homestead) ⁽²⁾	\$31.06	\$32.05	\$33.78	\$32.19	\$12.83

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

(2) City moved to a unified rate in 2020.

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

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

Based on Regular Equalization Rates

Year of Assessment Roll	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fiscal Year for Taxes	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Assessed Value	\$496,502,341	\$490,639,809	\$490,243,372	\$493,258,472	\$759,622,309
Equalization Rate	79.31%	79.31%	79.00%	75.00%	100.00%
Full Value	\$626,027,413	\$618,635,492	\$620,561,230	\$657,677,963	\$759,622,309

Based on Special Equalization Rates

Year of Assessment Roll	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fiscal Year for Taxes	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Assessed Value	\$496,502,341	\$490,639,809	\$490,243,372	\$493,258,472	\$759,622,309
Equalization Rate	79.04%	78.15%	73.57%	71.87%	69.85%
Full Value	\$628,165,917	\$627,818,054	\$666,363,153	\$686,320,401	\$1,087,505,095

Source: District Officials

Tax Limit

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

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). While the Tax Levy Limitation Law originally had an expiration date that was later

extended, the budget legislation enacted in 2019 made the Tax Levy Limitation Law permanent. The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City). The discussion herein does not include school districts in New York City, Buffalo, Rochester, Syracuse, or Yonkers.

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

The Tax Levy Limitation Law requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) (subject to certain adjustments) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a budget by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

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

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cash flow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures" are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy" and is an exclusion from the tax levy limitation (except in a case when the District would be prohibited from raising the tax levy amount at all due to budget vote results, as explained above).

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

Tax Collection Procedure

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

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

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

STAR - School Tax Exemption

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

For the 2020-21 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
City of Lackawanna	\$81,530	\$35,040
<i>Date Certified: 4/13/2020</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 a school district initially calculates their tax bills, for each municipal segment they will compare the amount of STAR savings to the maximum. If the STAR savings exceeded the maximum, the school district will use the maximum when calculating tax bills for the segment.

The maximum savings for the City of Lackawanna for the 2020-21 fiscal year is as follows:

<u>Municipality:</u>	<u>Basic Maximum Savings</u>	<u>Enhanced Maximum Savings</u>
City of Lackawanna	\$335	\$721
<i>Updated: 05/28/2020</i>		

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

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and

primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage home owners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the credit. Homeowners with STAR Adjusted Gross Income of \$250,000 or less have the option to elect the credit or exemption. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Largest Taxpayers for the 2020-21 Fiscal Year

The following table presents the taxable assessments of the District's largest taxpayers for the 2020-21 fiscal year.

Table 7
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u> ⁽¹⁾
Tecumseh Redevelopment Inc.	Manufacturer	\$11,000,000	1.45%
National Fuel Gas	Utility	8,206,167	1.08%
Burroughs1978, LLC	Industrial Center	7,000,000	0.92%
National Grid	Utility	6,763,276	0.89%
South Buffalo Railroad	Railroad	6,336,881	0.83%
Conrail Corporation	Railroad	5,399,788	0.89%
Senior Housing LP Lackawanna	Housing	4,746,000	0.71%
G.K Commerce Drive LLC	Industrial Center	4,700,000	0.62%
Great Lakes Industrial Dev.	Industrial Center	3,500,000	0.46%
Niagara Mohawk Power	Utility	<u>3,235,546</u>	<u>0.43%</u>
Total:		<u>\$60,887,658</u>	<u>8.28%</u>

(1) The District's total assessed value is \$759,622,309 for fiscal year 2020-21.

DISTRICT INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the 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, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute. No installment may be more than fifty per centum in excess of the smallest prior installment unless the District determines to issue a particular debt obligation amortizing on the basis of substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on indebtedness

and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

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

The Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds, subject to obtaining voter approval. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 until the plans and specification for such project have been approved by the Commissioner of Education of the State.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations.

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

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

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

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

The District has not exceeded its debt limit except in certain cases in which the issuance of debt exceeding the District's debt limit was approved by the Board of Regents and the State Comptroller. (see "Statutory Debt Limit and Net Indebtedness" herein).

Table 8
Computation of Debt Limit
(As of December 9, 2020)

<u>Tax Year:</u>	<u>Full Valuation</u>
2016	\$628,165,917
2017	627,818,054
2018	666,363,153
2019	686,320,401
2020	<u>1,087,505,095</u>
Total Five Year Valuation	<u>\$3,696,172,620</u>
Average Five Year Full Valuation	<u>\$739,234,524</u>
Debt Limit - 5% of Average Full Valuation	<u>\$36,961,726</u>

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

Statutory Debt Limit and Net Indebtedness

Table 9
Statutory Debt Limit and Net Indebtedness

	<u>As of</u> <u>February 23, 2021</u>
Average Full Valuation of Taxable Real Property	\$739,234,524
Debt Limit (5% of Average Full Valuation)	\$36,961,726
Inclusions:	
Outstanding Indebtedness:	
Serial Bonds	38,515,000
Bond Anticipation Notes	<u>0</u>
Total Inclusions	<u>38,515,000</u>
Exclusions	
Refunded Debt	0
Bond Appropriations	1,580,000
BAN Appropriations	<u>0</u>
Total Exclusions	<u>1,580,000</u>
Total Net Indebtedness ^(a)	<u>\$36,935,000</u>
Net Debt-Contracting Margin ^(b)	<u>\$26,716</u>
Percentage of Debt-Contracting Margin Exhausted	99.93%

- (a) The District has received State debt service building aid in an amount approximately 95.0% of its outstanding bonded indebtedness. Given the effect of "assumed amortization" provided in Chapter 383 of the Laws of 2001, no assurance can be given regarding the direct or indirect effect of "assumed amortization" on the net indebtedness of the District, or the timing or amount of such Building aid in connection with school facilities financed with the proceeds of the Bonds. See "State Aid" herein.
- (b) While the amount of the District's currently outstanding debt is below its statutory debt limit, the District previously requested and received approval of the Board of Regents and the State Comptroller, dated April 7, 2016 to issue bonds and/or bond anticipation notes exceeding the debt limit in an amount not to exceed \$27,300,000 for school buildings and additions for the projects approved by at least 60% the qualified voters of the District on December 22, 2015.

Source: District Officials.

Remedies Upon Default

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

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

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

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

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

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

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for such indebtedness."

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

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

Bond Anticipation Notes

The District has no outstanding bond anticipation notes.

Tax and Revenue Anticipation Notes

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

Other Indebtedness

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

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

Overlapping and Underlying Debt

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

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

Table 10
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of:</u>	<u>District Share</u>	<u>Amount Applicable To District</u>
Erie County	\$327,310,000	09/01/20	1.02%	\$ 3,338,562
City of Lackawanna	4,997,525	07/31/19	100.00%	<u>4,997,525</u>
Total Net Overlapping Debt				\$8,336,147
Total Net Direct Debt				<u>\$36,935,000</u>
Net Direct and Overlapping Debt				<u>\$45,271,147</u>

Source: State Comptroller's Special Report on Municipal Affairs

Debt Ratios

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

Table 11
Debt Ratios

	<u>Debt Per Amount</u>	<u>Debt Per Capita</u> ^(a)	<u>Debt to Full Value</u> ^(b)
Net Direct Debt	\$36,935,000	\$2,025	3.40%
Net Direct and Overlapping Debt	\$45,271,147	\$2,482	4.16%

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

(b) The District's full value of taxable real property based on special equalization rates for 2020-21 is \$1,087,505,095.

Obligations Authorized but Unissued

On December 22, 2015, following a bond resolution duly adopted by the District's Board of Education on September 17, 2015, authorizing the issuance of \$27,300,000 in serial bonds of the District to undertake a capital improvement program consisting of the reconstruction of various District buildings, site work, and the acquisition of original furnishings equipment, machinery or apparatus required for the purpose for which such buildings are to be used. The District has \$717,390 of authorized but unissued remaining against this resolution.

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Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness, as of February 23, 2021.

Table 12
Bond Principal and Interest Maturity Table

<u>Fiscal Year</u>			
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$1,580,000	\$281,993	\$1,861,993
2022	3,395,000	517,948	3,912,948
2023	3,430,000	466,745	3,896,746
2024	3,470,000	413,765	3,883,765
2025	3,190,000	358,934	3,548,935
2026	2,875,000	311,116	3,186,117
2027	2,910,000	271,286	3,181,286
2028	2,940,000	230,405	3,170,406
2029	2,975,000	188,625	3,163,625
2030	3,015,000	139,204	3,154,204
2031	2,710,000	88,192	2,798,192
2032	2,505,000	46,080	2,551,080
2033	1,760,000	9,768	1,769,768
2034	1,760,000	3,256	1,763,256
Total:	\$38,515,000	\$3,327,317	\$41,842,321

Source: District Officials.

ECONOMIC AND DEMOGRAPHIC DATA

School Enrollment Trends

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

TABLE 13
School Enrollment Trends

<u>Fiscal Year</u>	<u>Actual Enrollment</u>	<u>Fiscal Year</u>	<u>Projected Enrollment</u>
2018-2019	1,948	2021-22	1,945
2019-2020	1,932	2022-23	1,952
2020-2021	1,940	2023-24	1,960

Source: District Officials.

Population

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

TABLE 14
Population Trend

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
City	19,064	18,239	(5.1%)
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: US Census Bureau

Employment and Unemployment

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

TABLE 15
Civilian Labor Force
(Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County	448.6	445.1	441.1	442.1	441.3
State	9,558.8	9,55.9	9,549.1	9,521.97	9,514.4

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

TABLE 16
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2016	4.9%	4.8%
2017	5.2%	4.7%
2018	4.4%	4.1%
2019	4.3%	4.0%
2020	9.3%	10.0%

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

TABLE 17
Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
January 2020	4.9%	4.1%
February	4.7%	3.9%
March	5.0%	4.2%
April	18.7%	15.1%
May	13.8%	14.2%
June	13.3%	15.5%
July	14.0%	16.0%
August	10.7%	12.5%
September	6.6%	9.3%
October	6.7%	9.0%
November	5.9%	8.1%
December	7.6%	8.1%

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

Note: Note that figures in this section are historical and do not speak as to current or projected employment rates. Unemployment has drastically increased since mid-March 2020 due to the COVID-19 global pandemic. See "COVID-19 herein.

TABLE 18
Major Employers in the District

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

Source: District Officials.

LITIGATION

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

END OF APPENDIX A

APPENDIX B

**SUMMARY OF FINANCIAL
STATEMENTS AND BUDGETS**

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

	<u>2019</u>	<u>2020</u>
<u>Assets:</u>		
Unrestricted Cash	\$6,861,103	\$8,241,070
Restricted Cash	300,000	300,000
Accounts Receivable	53,466	49,066
Due From Other Funds	2,264,756	2,965,922
State and Federal Aid Receivable	1,491,209	920,496
Property Taxes Receivable	710,294	841,548
Due From Other Governments	<u>1,619,812</u>	<u>1,656,687</u>
 Total Assets	 <u><u>\$13,300,640</u></u>	 <u><u>\$14,974,789</u></u>
 <u>Liabilities and Fund Balance:</u>		
Accounts Payable	\$802,223	\$643,252
Accrued Liabilities	96,765	133,560
Due to Other Funds	1,386,465	170,834
Due to Other Governments	436,065	80,287
Overpayments - Collections	2,776	2,777
Due to Teachers Retirement System	1,763,837	1,531,229
Due to Employees' Retirement System	117,930	125,661
Deferred Revenues	<u>940,294</u>	<u>1,071,548</u>
 Total Liabilities	 <u><u>5,546,355</u></u>	 <u><u>3,759,148</u></u>
 Fund Balances:		
Restricted	300,000	300,000
Assigned	1,984,245	3,731,561
Unassigned	<u>5,470,040</u>	<u>7,184,080</u>
Total Fund Balance	<u><u>7,754,285</u></u>	<u><u>11,215,641</u></u>
 Total Liabilities and Fund Balance	 <u><u>\$13,300,640</u></u>	 <u><u>\$14,974,789</u></u>

Source: Audited Financial Statements
Summary not audited

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Real Property Taxes	\$9,127,139	\$9,259,087	\$9,529,046	\$9,489,109	\$9,604,040
Non-Property Taxes	3,050,415	3,181,219	3,492,772	3,641,825	3,398,643
Charges for Services	139,195	205,401	287,988	67,911	101,291
Use of Money & Property	15,041	57,825	109,721	108,237	105,967
Sale of Prop. & Comp. for Loss	68,762	26,662	57,523	59,738	24,077
Miscellaneous	605,799	545,686	408,473	471,585	478,516
State Aid	30,762,014	32,632,898	35,350,295	38,508,769	42,110,555
Federal Aid	284,175	381,612	351,423	493,362	636,397
Total Revenues	<u>44,052,540</u>	<u>46,290,390</u>	<u>49,587,241</u>	<u>52,840,536</u>	<u>56,459,486</u>
Expenditures:					
General Support	3,720,672	3,629,247	4,027,850	4,320,394	4,330,188
Instruction	27,706,131	29,144,799	31,334,799	31,604,785	32,534,647
Pupil Transportation	2,844,191	2,918,176	3,079,534	3,314,497	3,544,525
Employee Benefits	7,352,596	7,472,816	7,362,588	7,518,647	8,117,238
Debt Service	2,139,983	2,358,225	2,548,586	2,711,070	4,351,231
Total Expenditures	<u>43,763,573</u>	<u>45,523,263</u>	<u>48,353,357</u>	<u>49,469,393</u>	<u>52,877,829</u>
Excess of Revenues over Expenditures	288,967	767,127	1,233,884	3,371,143	3,581,657
Other Uses:					
Interfund Transfers In	22,945	73,241	0	0	0
Operating Transfers Out	<u>(56,472)</u>	<u>(73,049)</u>	<u>(88,297)</u>	<u>(659,962)</u>	<u>(120,301)</u>
Total Other Uses:	<u>(33,527)</u>	<u>192</u>	<u>(88,297)</u>	<u>(659,962)</u>	<u>(120,301)</u>
Excess of Revenues over Expenses and Other Financing Uses	255,440	767,319	1,145,587	2,711,181	3,461,356
Prior Period Adjustment *	0	(412,679)	0	0	0
Fund Balance - Beg. of Year	<u>3,287,437</u>	<u>3,542,877</u>	<u>3,897,517</u>	<u>5,043,104</u>	<u>7,754,285</u>
Fund Balance - End of Year	<u>\$3,542,877</u>	<u>\$3,897,517</u>	<u>\$5,043,104</u>	<u>\$7,754,285</u>	<u>\$11,215,641</u>

*The District received correspondence from the State that certain final cost reports related to prior capital projects were not filed in a timely manner and therefore such projects were not eligible for state building aid. As a result, a liability related to prior building aid in the amount of \$412,679 was recorded as Due to Other Governments in the Statement of Net Position and Combined Balance Sheet (general fund) as of June 30, 2017 and recorded as a prior adjustment.

Source: Audited Financial Statements
Summary not audited

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

	Adopted Budget <u>2019-20</u>	Adopted Budget <u>2020-21</u>
Estimated Revenues:		
Real Property Tax	\$9,585,040	\$9,748,197
Real Property Tax Items	212,500	252,650
Non-Property Taxes	3,172,000	2,925,000
Charges for Services	67,000	136,500
Use of Money and Property	10,500	120,000
Sale of Property and Compensation for Loss	10,500	20,000
Miscellaneous	843,117	713,500
State Aid	41,553,907	41,304,590
Total Estimated Revenues	<u>55,454,564</u>	<u>55,220,437</u>
 Appropriated Fund Balance	 <u>1,984,245</u>	 <u>3,602,964</u>
 Total Estimated Revenues and Fund Balance	 <u><u>\$57,438,809</u></u>	 <u><u>\$58,823,401</u></u>
 Appropriations:		
General Support	\$4,565,067	\$4,708,702
Instruction	36,054,453	36,684,014
Public Safety and Transportation	3,649,515	3,814,548
Employee Benefits	8,673,589	9,088,303
Debt Service	4,351,185	4,333,834
Interfund Transfers	145,000	194,000
 Total Appropriations	 <u><u>\$57,438,809</u></u>	 <u><u>\$58,823,401</u></u>

Source: School District Officials

APPENDIX C

**INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**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/P11429832-P11109466-P11519174.pdf>

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

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

APPENDIX D

FORM OF DISCLOSURE UNDERTAKING

DISCLOSURE UNDERTAKING

This continuing disclosure undertaking (the “Disclosure Undertaking”) is executed and delivered by the City School District of the City of Lackawanna, a School District of the State of New York (the “Issuer”) in connection with the issuance of its [\$2,330,000] School District Refunding Serial Bonds, 2021 (collectively, the “Security”). The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB):

- (i) no later than the following March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021, the Annual Financial Information relating to such fiscal year, unless Audited Financial Statements are prepared, in which case the Annual Financial Information will be provided on or prior to the following March 31 after the end of each fiscal year or within 60 days following receipt by the Issuer of Audited Financial Statements (whichever is later) (the “Report Date”), but in no event later than one year after the end of each fiscal year;
- (ii) if not provided as part of the Annual Financial Information, Audited Financial Statements within 60 days of their receipt, but in no event later than one year after the end of each fiscal year;
- (iii) in a timely manner (not in excess of ten business days after the occurrence of any such event), notice of any of the following events with respect to the Security:
 - (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 or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
 - (7) Modifications to rights of Security Holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Security, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this Section 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(iv) in a timely manner (not in excess of ten business days after the occurrence of such event), notice of a failure to provide by the date set forth in Section 1(a)(i) hereof any Annual Financial Information required by Section 3 hereof.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. 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 pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a)(ii) above, if the Issuer determines that any such other event is material

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

Section 2. Definitions

“Annual Financial Information” means the information specified in Section 3 hereof.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of New York.

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

“Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

“Purchaser” means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof issued either before or after the effective date of this Disclosure Undertaking which are applicable to this Disclosure Undertaking.

“Security Holder” means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Annual Financial Information. (a) The required Annual Financial Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in Appendix A and Appendix B of the Issuer’s final official statement relating to the Security; which Annual Financial Information may, but it is not required to, include audited financial statements.

(b) All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which are (i) available to the public on EMMA or (ii) filed with the Securities and Exchange Commission. If such a document is a final official statement, it must be available on EMMA.

(c) Annual Financial Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 6(f) hereof) for such fiscal year shall explain, in

narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure 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 Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure 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 Disclosure Undertaking shall not constitute an event of default on the Security.

Section 5. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 6. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking 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 Security Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to adjust the Report Date if the Issuer changes its fiscal year; provided that such new date shall be within nine months after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration;
- (f) to modify the contents, presentation and format of the Annual Financial Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(g) 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 Disclosure 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 6 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 7. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security 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 EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 8. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 9. Governing Law. This Disclosure 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, I have hereunto set my signature and affixed the seal of the Issuer as of [March 16, 2021].

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

By: SPECIMEN
President of the Board of Education

(SEAL)

ATTEST:

SPECIMEN
District Clerk